

Layton City Corporation



Comprehensive Annual Financial Report

Layton, Utah

Fiscal Year Ended June 30, 2006

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Prepared by:
Finance Department

LAYTON CITY CORPORATION

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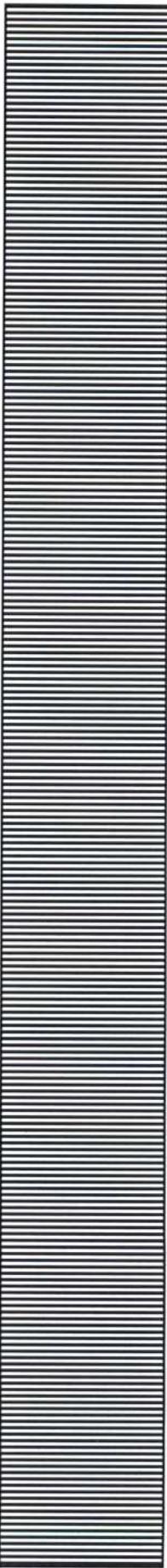
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Layton City Corporation

Introductory Section

December 7, 2006

To the Honorable Mayor, City Council and Citizens of Layton City, Utah

State law requires that all cities publish, within six months of the close of the fiscal year, a complete set of financial statements presented in conformance to generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a qualified, licensed certified public accounting firm. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Layton City, Utah, for the fiscal year ended June 30, 2006.

These financial statements are prepared to comply with new reporting model requirements promulgated by the Government Accounting Standards Board (GASB) Statement 34. The city-wide statements consolidate all funds and component units of the City and use the full accrual basis of accounting with a flow of financial resources measurement focus. These city-wide statements make it easier to measure and analyze the changes in financial position over time.

This report consists of management's representations concerning the finances of Layton City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented herein. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile reliable information for the preparation of the financial statements in conformity with GAAP. The City's framework of internal controls is designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The cost of internal controls should not outweigh their benefit to the City. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements have been audited by Hansen, Bradshaw, Malmrose & Erickson, PC, a licensed certified public accounting firm qualified to perform audits of municipal governments. The goal of the independent audit was to provide reasonable assurance that the financial statements of Layton City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Layton City's financial statements for

the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented at the beginning of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that in addition to reporting on the fair presentation of the financial statements, the auditor test and report on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving federal awards and grants. These reports are included as a separate section of this report.

This comprehensive annual financial report is presented in four sections as follows:

1. The Introductory Section includes this letter of transmittal, the Government Finance Officers Associations' reporting certificate, an organizational chart and a list of elected and appointed officials.
2. The Financial Section includes the independent auditor's report, management's discussion and analysis, the basic financial statements, combining and individual fund schedules, and schedules of capital assets used in governmental fund operations.
3. The Statistical Section includes tables and graphs of selected financial and demographic information. Some tables include ten year comparative history data.
4. The Compliance Report Section includes the independent auditor's reports that are required under the "Single Audit" for federal grants and the State legal compliance reports.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This section is found immediately following the independent auditor's report.

Brief Demographics and Government Structure

Layton City was incorporated in 1920 and is located in Davis County between the metropolitan areas of Salt Lake City to the south and Ogden City to the north. Layton is currently the largest city in Davis County with an estimated population of 66,310. The City is empowered by state statutes to function as a city of the third-class. Layton City has operated under a council-manager form of government since 1985. The governing body is composed of a mayor and five council members who are elected at large to four-year staggered terms. The governing body is the policy-making and legislative authority of the City. The Mayor is the chair of the governing body but only votes in case of a tie. The Mayor and City Council appoint a city manager who is delegated all administrative functions. The City Manager appoints department directors with the consent and approval of the governing body.

Reporting Entity and Its Services

This financial report includes the financial information of three legally separate entities, namely: Layton City Corporation, Redevelopment Agency of Layton City, Utah, and Davis Metro Narcotics Strike Force. They are included in this financial report because of their nature and close relationship. The City created the redevelopment agency to further the purposes of the City. The City voluntarily agreed to be the oversight and lead agency for the Davis Metro Narcotics Strike

Force, a multi-entity drug enforcement group. Additional information on these entities and their relationship can be found in the notes to the financial statements.

Layton City provides a full range of services, including police, fire, emergency medical, streets, water, sewer, storm sewer, planning, zoning, building inspection, parks, recreation and general administration.

Economic Factors and Conditions

The City has enjoyed significant revenue growth over the past 15 years. The City has nearly doubled in population and revenues have grown by almost 4 times. The revenue has resulted mainly from growth along with some increases in utility fees and charges. Property tax rates and levies by the City have remained relatively constant. Layton City is the commercial retail hub of the northern part of the county with the only indoor mall. The City is bisected by the only north/south interstate highway in Utah and is convenient for both shoppers and businesses.

Layton City is adjacent to Hill Air Force Base, which is a major employer in the state and makes a significant contribution to the economics of northern Utah. They employ about 23,000 with 13,000 being civilians, 4,700 military, 3,700 contractors and 1,600 reservists. The annual payroll is approximately \$750 million.

Economic activity was strong in 2005 and has remained strong in the first half of 2006. State and local economies are projected to remain strong in the near term.

Major Initiatives

The City's major initiative continues to be the construction of infrastructure to service growth. Additional streets, water storage and distribution lines, sewer lines, storm water facilities and parks are the prominent focus of the five year capital improvement plan.

Cash Management

Cash and investments of the various City funds are pooled together and temporary idle money is invested in the Utah State Treasurer's investment pool and a local bank. Interest received from the temporary investments for all funds was \$518,308 for the year ended June 30, 2006. Interest rates increased during the year and interest revenue was 84.79% more than the previous year.

Risk Management

The City is a member of the Utah Risk Management Mutual Association (URMMA), which is an inter-local cooperative entity formed by a group of cities to promote risk management practices and procure liability insurance on a group basis. Member cities must adhere to various training and risk mitigation practices designed to reduce accidental losses. The member cities self insure the first \$15,000 of liability and URMMA insures above that amount up to \$6,000,000 per occurrence.

Long-term Financial Planning

Financial policy dictates that 5% to 18% of general fund revenue be kept in the unreserved fund balance of the general fund. Each year's budget plan targets an amount within that range and may be higher or lower depending on operational and capital needs of that year. The unreserved fund balance for fiscal year ended June 30, 2006, was 16.67%.

The Council and management attempt to finance all City operations on a pay as you go basis. Issuing debt is avoided if at all possible. The City has been reasonably successful and has a very low debt amount compared to cities of similar size and character.

The City uses a five year capital improvement plan to focus on upcoming projects that will require funding. Modification of the plan and reprioritization of projects takes place annually.

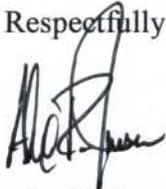
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Layton City for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the eleventh consecutive year that the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

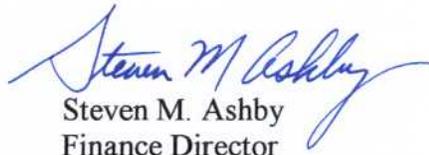
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements.

We would like to thank the finance department staff for their efforts in preparing this report. Due credit for the excellent financial condition of the City should be given to the Mayor and City Council for their support of conservative financial planning. We believe that the administration of the financial operations of the City continues to be responsible, progressive and frugal.

Respectfully submitted,



Alex R. Jensen
City Manager



Steven M. Ashby
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Layton City Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

Layton City Corporation Organization Chart



LAYTON CITY CORPORATION

Listing of Principal City Officials

Governing Body

Mayor	J. Stephen Curtis
Council Member	Michael J. Bouwhuis
Council Member	Stephen G. Handy
Council Member	F. Renny Knowlton
Council Member	Joyce F. Brown
Council Member	Kathy Hyde

City Manager

City Manager	Alex R. Jensen
Assistant City Manager	James S. Mason

Management Staff

Director of Management Services	James S. Mason
Director of Public Works	Terry R. Coburn
Director of Community & Economic Development.....	J. Scott Carter
City Attorney	Gary R. Crane
Chief of Police	Terry M. Keefe
Chief of Fire	Kevin C. Ward
Director of Parks and Recreation.....	F. Dean Allen
Director of Finance	Steven M. Ashby

Other Administrative Officials

City Treasurer	Bryan R. Steele
City Recorder	Thieda R. Wellman
Deputy City Recorder	Steven M. Ashby
City Engineer (acting)	Thomas Roylance



Layton City Corporation

Financial Section

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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*Members of the
American Institute
of Certified Public
Accountants*

*Members of the
Private Company
Practice Section*

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Layton, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Layton, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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*, we have also issued our report dated November 3, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 10-19, is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, the combining and individual nonmajor fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

November 3, 2006

Management's Discussion and Analysis

The management of Layton City presents the following narrative and analysis of the financial statements and financial activities of Layton City as prescribed by the Government Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2006.

Financial Highlights

The assets of Layton City exceeded its liabilities at June 30, 2006 by \$174,689,225 (net assets). Of this amount \$17,134,913 (unrestricted net assets) may be used to meet the government's ongoing obligations.

Layton City's total net assets increased \$9,931,474. Elements of the increase were: 1) capital assets contributed by developers (water lines, sewer lines, storm sewer lines, streets, etc.) \$4,092,464; 2) ongoing operations of the governmental activities provided \$3,003,446; and 3) ongoing operations of the business-type activities provided \$2,835,564.

Layton City's governmental funds reported combined ending fund balances of \$10,295,595 at June 30, 2006, an increase of \$2,919,761 in comparison to the previous year. Of the ending fund balances, \$6,687,930 is available for spending at the City's discretion (unreserved fund balance).

At June 30, 2006, unreserved fund balance of the general fund was \$4,510,141, or 21.12% of total general fund expenditures for the year.

Layton City's total debt decreased \$1,217,821 that resulted from principal payments on bonds and notes.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of Layton City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as an indicator of changes in the financial position of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes that have been levied but not received.

Both of the government-wide financial statements distinguish functions of Layton 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 governmental activities of Layton City include general government, public safety, community and economic development, streets and public improvements, and parks and recreation. The business-type activities of Layton City include services for water, sewer (sanitary), storm sewer, refuse, athletic programs, swimming pool and emergency medical services (EMS).

The government-wide financial statements include Layton City (known as the primary government) and two separate legal entities (known as component units). The financial information for the Redevelopment Agency of Layton City, Utah (Agency), and Davis Metro Narcotics Strike Force (Strike Force) are included in the statements. Because the City's governing body is the same as the governing board of the Agency, and can substantially control them, their financial information is blended and reported together with the financial information presented for the primary government. The Strike Force is blended with the primary government because the administration, fiscal, and accounting affairs are intertwined with other public safety functions of the City.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Layton City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All funds of Layton City can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Layton City maintains twelve (12) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for general fund and capital projects fund, which are considered to be major funds. Data from the other ten (10) governmental funds are combined into a single, aggregate presentation. Individual fund data for each governmental fund is provided in the form of individual and combining statements elsewhere in this report.

Layton City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary funds Layton City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, storm sewer, sewer, refuse, swimming pool, emergency medical services and athletic programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, storm sewer, sewer, and refuse funds because they are considered to be major funds. Conversely, the swimming pool, emergency medical services and athletic programs funds are considered to be nonmajor and are combined into a single aggregated presentation. Individual fund and combining financial statements are provided elsewhere in this report.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information In addition to the basic financial statements and accompanying notes, this report also presents combining and individual schedules referred to earlier in connection with nonmajor governmental funds. They are presented immediately following the notes to the financial statements. Selected statistical information is presented in tabular and chart form. Auditor reports on compliance are also included at the end of the document.

Government-wide Financial Analysis

As noted earlier, net assets is an indicator of a government's financial position. In the case of Layton City, assets exceeded liabilities by \$174,689,225 at the close of the fiscal year.

The largest portion of the City's net assets (88.23%) represents investment in capital assets (land, buildings, machinery and equipment); less any related debt used to acquire those assets that is 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 the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Layton City Net Assets

	Governmental activities 2006	Governmental activities 2005	Business-Type activities 2006	Business-Type activities 2005	Total 2006	Total 2005
Current and other assets	\$19,812,405	\$16,265,704	\$7,911,127	\$8,018,444	\$27,723,532	\$24,284,148
Capital assets	96,549,295	94,300,645	63,137,875	59,021,250	159,687,170	153,321,895
Total assets	116,361,700	110,566,349	71,049,002	67,039,694	187,410,702	177,606,043
Long-term liabilities outstanding	4,841,888	5,618,473	2,807,524	3,106,633	7,649,412	8,725,106
Other liabilities	3,603,342	3,183,567	1,468,723	939,619	5,072,065	4,123,186
Total liabilities	8,445,230	8,802,040	4,276,247	4,046,252	12,721,477	12,848,292
Net assets:						
Invested in capital assets, net of related debt	93,559,295	90,490,645	60,567,875	56,171,250	154,127,170	146,661,895
Restricted	2,856,374	2,513,901	570,768	817,187	3,427,142	3,331,088
Unrestricted	11,500,801	8,759,763	5,634,112	6,005,005	17,134,913	14,764,768
Total net assets	\$107,916,470	\$101,764,309	\$66,772,755	\$62,993,442	\$174,689,225	\$164,757,751

A portion of the City's net assets (1.96%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$17,134,913) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Layton City Changes in Net Assets

	Governmental activities 2006	Governmental activities 2005	Business-type activities 2006	Business-type activities 2005	Total 2006	Total 2005
Revenues:						
Program revenues:						
Charges for services	\$3,049,792	\$3,631,115	\$14,399,767	\$12,982,642	\$17,449,559	\$16,613,757
Operating grants and contributions	2,689,059	1,304,270	1,822,250	47,015	4,511,309	1,351,285
Capital grants and contributions	4,439,061	3,302,679	943,749	2,484,570	5,382,810	5,787,249
General revenues:						
Property and uniform vehicle taxes	6,438,364	6,039,137			6,438,364	6,039,137
Other taxes	16,206,331	13,674,008			16,206,331	13,674,008
Other	948,796	2,491,168	202,763	138,531	1,151,559	2,629,699
Total revenues	33,771,403	30,442,377	17,368,529	15,652,758	51,139,932	46,095,135
Expenses:						
General government	4,033,135	3,694,412			4,033,135	3,694,412
Public safety	12,194,098	11,235,734			12,194,098	11,235,734
Community and economic development	1,586,358	1,629,579			1,586,358	1,629,579
Streets and public improvements	4,838,064	4,315,545			4,838,064	4,315,545
Parks and recreation	2,998,905	4,019,278			2,998,905	4,019,278
Interest on long-term debt	69,351	88,718			69,351	88,718
Water			4,274,120	4,114,505	4,274,120	4,114,505
Storm sewer			2,314,247	1,061,377	2,314,247	1,061,377
Sewer			3,266,205	3,023,986	3,266,205	3,023,986
Refuse			2,762,220	2,772,872	2,762,220	2,772,872
Swimming pool			1,041,813	760,232	1,041,813	760,232
EMS			1,571,580	1,136,940	1,571,580	1,136,940
Athletic programs			258,362	224,172	258,362	224,172
Total expenses	25,719,911	24,983,266	15,488,547	13,094,084	41,208,458	38,077,350
Increase in net assets before transfers	8,051,492	5,459,111	1,879,982	2,558,674	9,931,474	8,017,785
Transfers	(1,899,331)	(615,635)	1,899,331	615,635		
Increase in net assets	6,152,161	4,843,476	3,779,313	3,174,309	9,931,474	8,017,785
Net assets, beginning - as previously reported	101,764,309	36,623,504	62,993,442	59,819,133	164,757,751	96,442,637
Prior period adjustment		60,297,329				60,297,329
Net assets, beginning - as restated	101,764,309	96,920,833	62,993,442	59,819,133	164,757,751	156,739,966
Net assets, ending	\$107,916,470	\$101,764,309	\$66,772,755	\$62,993,442	\$174,689,225	\$164,757,751

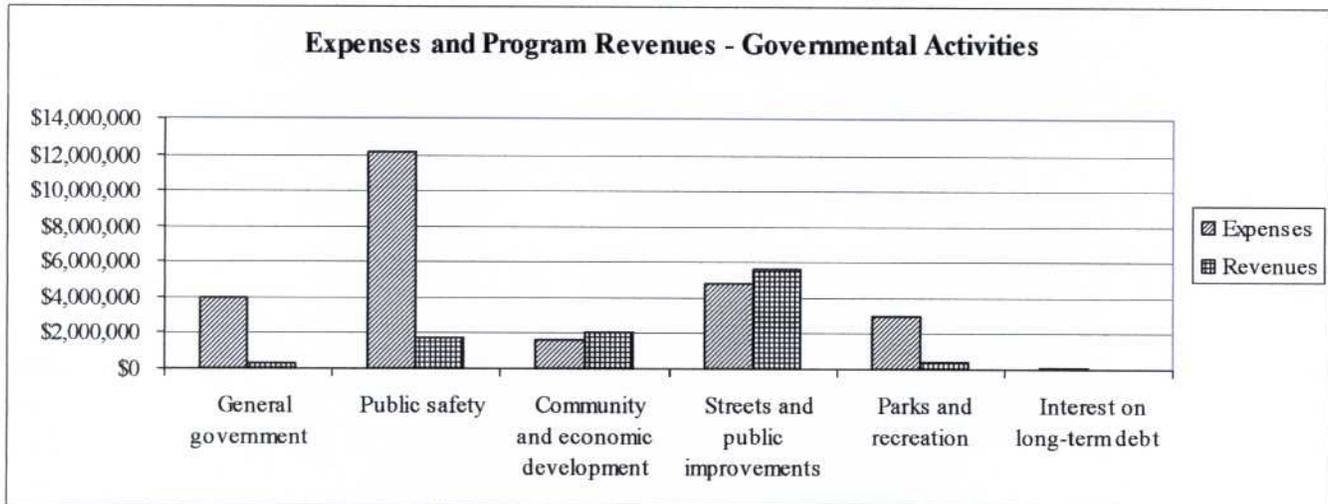
Governmental activities As noted in the table above, governmental activities increased the City's net assets by \$6,152,161. Key elements of the increase were as follows:

1. Capital contributions for governmental type activities of \$3,148,715 came from developer contributions of streets and related infrastructure including the underlying land.
2. Tax revenue increases of \$2,532,323 resulted from a strong economy, growth in commercial establishments and growth in residences. Sales taxes increased \$924,544, franchise taxes

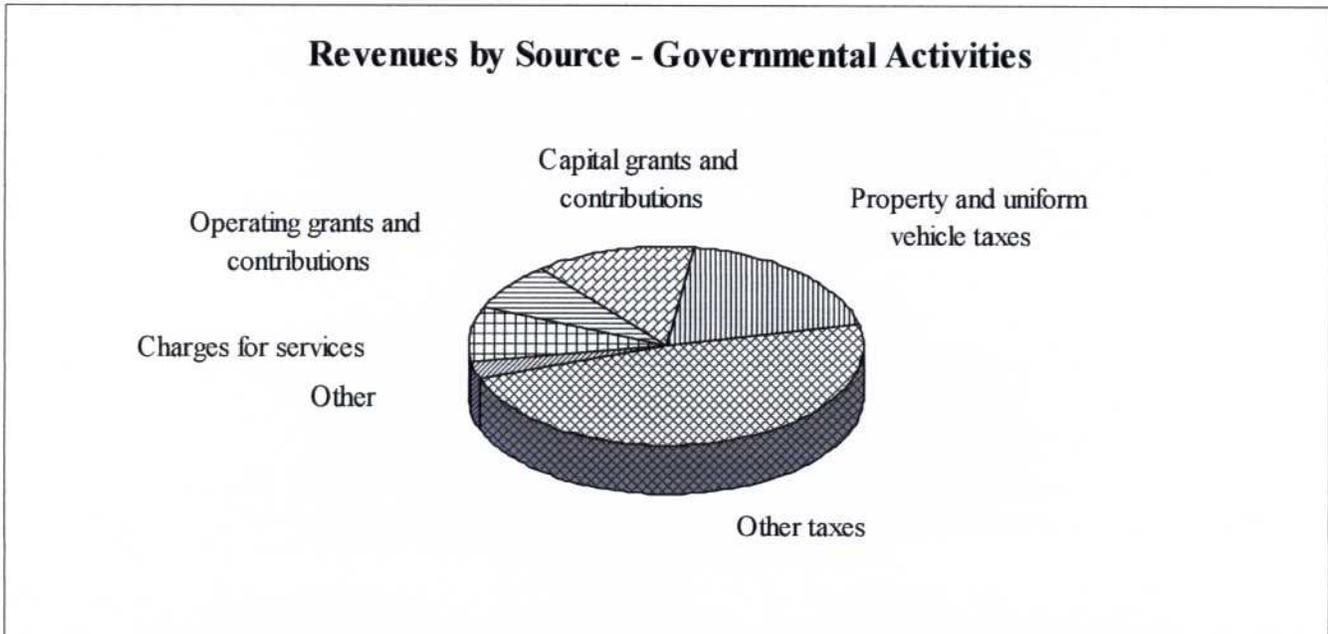
increased \$233,669, telecommunication taxes increased \$23,936, energy taxes increased \$1,292,858 and transient room taxes increased \$57,316.

3. Operations of governmental activities accounted for the balance of the increase.

Traditionally governmental activities are funded by general revenue sources (i.e. taxes) rather than program revenues like charges for services. Community and economic development and streets and public improvements are the exceptions. About 67% of the program revenue for streets and public improvements came from developer contribution of streets. The following chart depicts governmental activity expenses compared to program revenues attributed to the activity.



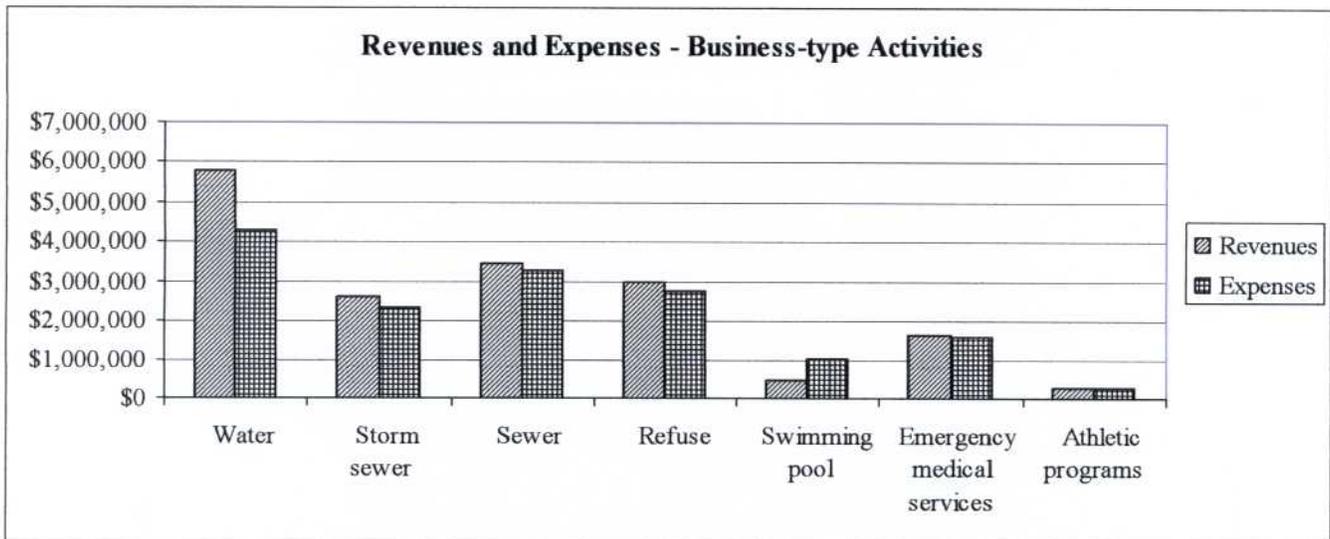
The following chart displays the major sources of governmental activity revenue. Taxes account for 67.05% of the revenue that funds governmental activities.



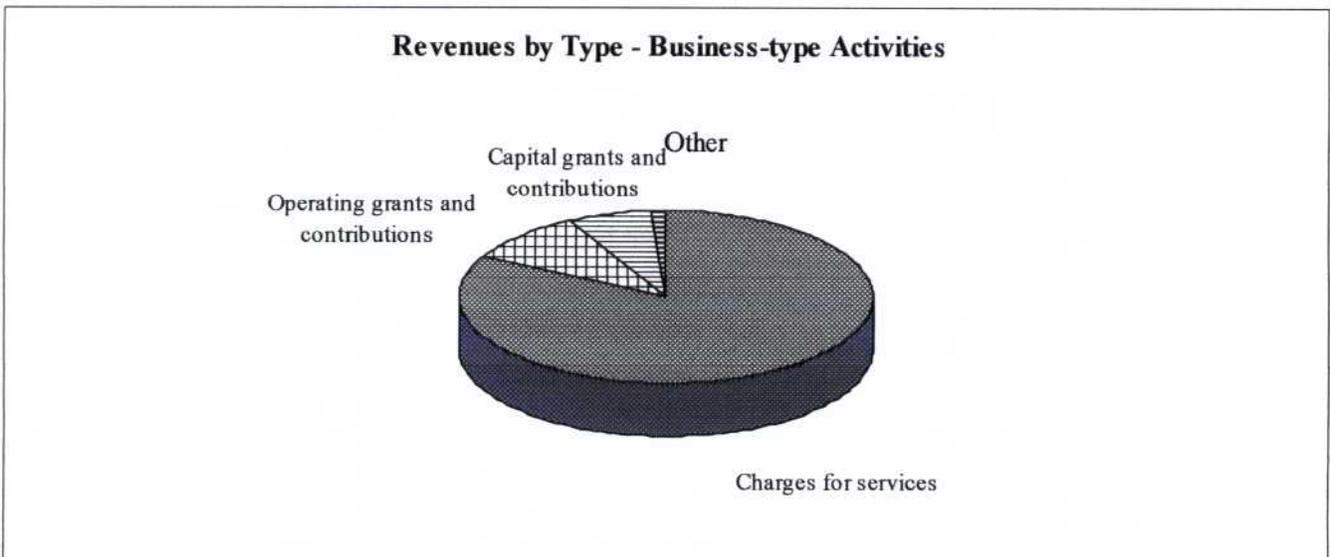
Business-type activities As noted previously in the table “Layton City Changes in Net Assets,” business-type activities increased the City’s net assets by \$3,779,313. Key elements of the increase were as follows:

1. Capital contributions for business type activities of \$943,749 came from developers for contributions of various utility lines and related systems.
2. Transfers of \$1,380,351 were made from governmental activities to fund storm sewer line replacements and additions.
3. Charges for services (sewer fees), increased \$579,543. Sewer user fees were increased at the beginning of the year from \$9.75 per month to \$11.75 per month.
4. Operations of the remaining business-type activities increased the balance of net assets and resulted from growth.

Traditionally business-type activities are self supporting and the chart depicts the relationship of revenues to expenses. The swimming pool did not generate enough program revenue and was supported by transfers from general revenue sources of the governmental activities. The following chart displays the business-type activities revenues compared to program expenses attributed to the activity.



Business-type activities are generally funded by charges for services and 82.91% of total revenue came from charges for services. The following chart displays the major groupings of business-type revenues:



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance is a useful measure of the government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the City's governmental funds reported combined ending fund balances of \$10,295,595, an increase of \$2,919,761 in comparison with the prior year. Approximately 68.84% of the fund balance amount (\$6,687,930) constitutes unreserved fund balance, which is available for spending at the government's discretion. The reserved fund balance is not available for new spending because it has already been committed. The key element in the fund balance increase was higher than expected tax revenues.

The general fund is the main operating fund of the City. At June 30, 2006, unreserved fund balance of the general fund was \$4,510,141, while the total fund balance amounted to \$5,283,190. A comparison of the unreserved fund balance and total fund balance to total general fund expenditures is a measure of liquidity. Unreserved fund balance represented 21.12% of total general fund expenditures, while total fund balance represented 24.73% of total general fund expenditures.

The City's general fund balance increased by \$1,019,020 during the fiscal year ended June 30, 2006.

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

Water fund Unrestricted net assets at June 30, 2006, amounted to \$2,025,156, an increase of 34.28% from the previous year. Operating revenues increased 13.81% and operating expenses increased 3.97%. The revenue increase resulted from higher consumption of water. Expense increases were largely a result of growth and cost inflation. Developer contributions of water lines and related systems amounted to \$315,370.

Storm sewer fund Unrestricted net assets at June 30, 2006, amounted to \$158,393, a decrease of 87.66% from the previous year. Operating revenues increased 3.36%, which resulted from growth. Operating expenses increased 118.04%, which resulted from significant line repairs and replacements. Developer contributions of storm sewer lines and related systems amounted to \$463,811.

Sewer fund Unrestricted net assets at June 30, 2006, amounted to \$2,429,339, a decrease of 3.92% from the previous year. Operating revenues and expenses increased 21.62% and 8.01% respectively. The revenue increase resulted from a 20.51% user fee increase. Developer contributions of sewer lines and related systems amounted to \$164,568.

Refuse fund Unrestricted net assets at June 30, 2006, amounted to \$553,403, an increase of 63.22%. Operating revenues increased 2.97% and expenses decreased .38%. The decrease in expenses resulted from a lower cost of refuse disposal. A fee decrease was planned to take effect the beginning of the next fiscal year.

General Fund Budgetary Highlights

During the fiscal year, the general fund's original budget was amended from \$25,565,841 to a final budget total of \$28,090,507, an increase of \$2,524,666. The increase was primarily for: 1) a transfer of \$1,380,351 to the storm sewer fund; 2) increased public safety grant funding of \$219,715; 3) increased public safety special services of \$56,765; 4) increased street maintenance of \$391,238; 5) increased transfer to the swimming pool fund of \$127,500; and 6) increased operational expenditures in the police and fire departments of \$313,965.

Actual expenditures and transfers amounted to \$26,930,234 or \$1,160,273 less than the final budget. \$661,833 of the difference represented purchase order encumbrances that will be carried over and expended in the next year. The balance of the unexpended budget was from savings where departments spent less than was appropriated in the final budget. Department managers were frugal stewards of their appropriations and only spent what was needed.

Capital Assets and Debt Administration

Capital assets Layton City's investment in capital assets for governmental and business-type activities as of June 30, 2006, was \$159,687,170 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current year was \$6,365,275 or 4.15% (2.38% increase for governmental activities and 6.97% increase for business-type activities).

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

- 1) Street improvements constructed with City funds, \$862,353
- 2) Park construction and improvements, \$1,120,837
- 3) Developer contribution of streets, including the underlying land, \$2,900,995
- 4) Various utility systems constructed with City funds, \$1,231,874
- 5) Developer contribution of utility lines and related systems, \$943,749
- 6) Increase construction in progress for all types of projects \$3,163,882
- 7) Current period depreciation for all depreciable assets amounted to \$4,684,915

Layton City Capital Assets (net of depreciation)

	Governmental activities 2006	Governmental activities 2005	Business-type activities 2006	Business-type activities 2005	Total 2006	Total 2005
Land	\$46,980,550	\$45,044,209	\$455,745	\$455,745	\$47,436,295	\$45,499,954
Buildings	9,069,127	9,134,668	693,761	715,275	9,762,888	9,849,943
Improvements other than buildings	1,406,385	720,762	16,090	17,430	1,422,475	738,192
Equipment and utility systems	3,666,125	4,357,562	55,923,608	55,472,228	59,589,733	59,829,790
Infrastructure	33,898,078	32,990,197			33,898,078	32,990,197
Construction in progress	1,529,030	2,053,247	6,048,671	2,360,572	7,577,701	4,413,819
Total	\$96,549,295	\$94,300,645	\$63,137,875	\$59,021,250	\$159,687,170	\$153,321,895

Additional information on the City's capital assets is available in the notes to the financial statements.

Long-term debt On June 30, 2006, the City had total bonded debt outstanding of \$5,560,000. The entire amount was from a sales tax revenue obligation. Of the total sales tax revenue bonds, \$2,570,000 was

accounted for in the water fund business-type activity. In addition to the bonded debt, the City had a note payable in the amount of \$460,110.

Layton City Outstanding Debt
General Obligations and Revenue Bonds

	Governmental activities 2006	Governmental activities 2005	Business-type activities 2006	Business-type activities 2005	Total 2006	Total 2005
Note payable	\$460,110	\$577,931			\$460,110	\$577,931
Revenue bonds	2,990,000	3,810,000	\$2,570,000	\$2,850,000	5,560,000	6,660,000
Total	\$3,450,110	\$4,387,931	\$2,570,000	\$2,850,000	\$6,020,110	\$7,237,931

The City's total debt decreased \$1,217,821 (16.83%) during the current fiscal year and resulted from principal payments.

The City received and has maintained an 'AAA' rating from Standard and Poor's and Fitch rating agencies on the sales tax revenue debt (\$5,560,000 outstanding). The underlying ratings by Standard and Poor's and Fitch were AA- by both agencies. The AAA ratings were achieved by the use of credit insurance that guaranteed the payment of both principal and interest. The note payable (\$460,110 outstanding) will be paid solely from transient room taxes. The transient room tax will go entirely to the debt retirement until it is paid.

The Utah State Constitution limits the amount of general obligation debt a municipal government may issue at 4% of its total taxable property value, except cities of the third class (Layton City is classified as a third class city) may issue debt up to an additional 8% of its total taxable property value for water systems, artificial lighting systems or sewer systems. On June 30, 2006, the City's limitation would be \$100,736,548 under the 4% limitation and \$201,473,096 under the additional 8% limitation. Layton City has no outstanding general obligation debt that applies to these limits. Additional information on the City's debt is available in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

1. The seasonally adjusted unemployment rate for Davis County as reported by the Utah Department of Workforce Services for June 2006 was 2.9%. The rate reported for the State of Utah for June 2006 was 3.1%. These compare favorably to the national seasonally adjusted rate reported by the U.S. Department of Labor, Bureau of Labor and Statistics for June 2006 of 4.6%. The county and the state unemployment rates have been gradually dropping for the past year.
2. The Governor's Office of Planning and Budget for 2006 predicts a strong economic environment with population increasing 2.9% and jobs growing at about 3.3%.
3. Inflationary trends of the state and region compare similarly to the national indices.

These and other factors were considered in preparing Layton City's budget for the 2006-2007 fiscal year.

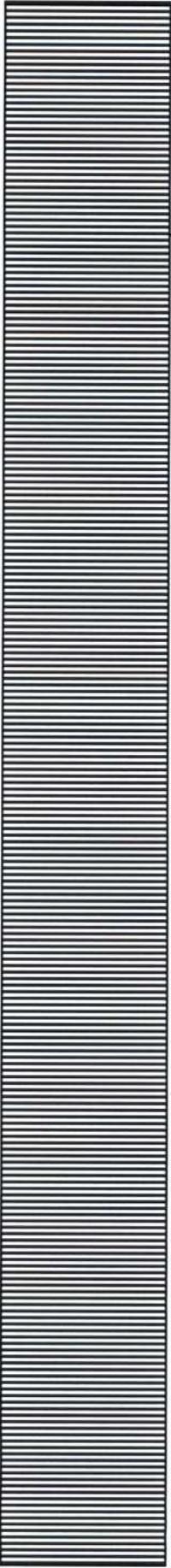
During the fiscal year, total fund balance of the general fund increased \$1,019,020, and the unreserved fund balance of the general fund increased \$446,701. The City appropriated \$738,077 from the general fund unreserved fund balance in the 2006-2007 fiscal year budget.

Refuse user rates were reduced in the 2006-2007 fiscal year budget by \$1.75 per month. This would coincide with reductions in the cost of disposal agreements.

Ambulance and paramedic user fees were generally increased approximately 4% to keep pace with fuel and other costs.

Requests for Information

This financial report is designed to provide a general overview of Layton City's activities for those with an interest in the City's operations and position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Layton City, Finance Director, 437 N Wasatch Drive, Layton, UT 84041.



Layton City Corporation

Basic Financial Statements

LAYTON CITY CORPORATION

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$8,290,277	\$4,344,323	\$12,634,600
Receivables, net	9,337,028	2,684,803	12,021,831
Inventory		4,219	4,219
Prepaid expense	84,584	536,943	621,527
Deferred charges	150,674	44,318	194,992
Restricted assets:			
Cash and cash equivalents	1,949,842		1,949,842
Investment in water stocks and rights		296,521	296,521
Capital assets (net of accumulated depreciation):			
Land	46,980,550	455,745	47,436,295
Buildings	9,069,127	693,761	9,762,888
Improvements other than buildings	1,406,385	16,090	1,422,475
Infrastructure	33,898,078		33,898,078
Equipment and utility systems	3,666,125	55,923,608	59,589,733
Construction in progress	1,529,030	6,048,671	7,577,701
Total assets	<u>116,361,700</u>	<u>71,049,002</u>	<u>187,410,702</u>
<u>Liabilities</u>			
Accounts payable	683,552	1,270,099	1,953,651
Accrued liabilities	1,589,290	93,138	1,682,428
Payable to other governments		70,315	70,315
Accrued bond interest payable	37,598	33,546	71,144
Deposits	1,144,488	1,625	1,146,113
Due to developers	36,490		36,490
Bond issuance premium	111,924		111,924
Noncurrent liabilities:			
Due within one year	2,152,000	522,000	2,674,000
Due in more than one year	2,689,888	2,285,524	4,975,412
Total liabilities	<u>8,445,230</u>	<u>4,276,247</u>	<u>12,721,477</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	93,559,295	60,567,875	154,127,170
Restricted for:			
Class c roads	189,567		189,567
Street construction	978,199		978,199
Park development	415,393		415,393
Public safety facilities	62,443		62,443
Emergency dispatch service	317,614		317,614
Redevelopment	81,933		81,933
Debt service	811,225		811,225
Storm sewer development		570,768	570,768
Unrestricted	11,500,801	5,634,112	17,134,913
Total net assets	<u>\$107,916,470</u>	<u>\$66,772,755</u>	<u>\$174,689,225</u>

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$4,033,135	\$287,957	\$42,811		(\$3,702,367)		(\$3,702,367)
Public safety	12,194,098	951,973	477,022	\$265,893	(10,499,210)		(10,499,210)
Community and economic development	1,586,358	1,675,733	418,446		507,821		507,821
Streets and public improvements	4,838,064	98,839	1,750,780	3,794,508	806,063		806,063
Parks and recreation	2,998,905	35,290		378,660	(2,584,955)		(2,584,955)
Interest on long-term debt	69,351				(69,351)		(69,351)
Total governmental activities	25,719,911	3,049,792	2,689,059	4,439,061	(15,541,999)		(15,541,999)
Business-type activities:							
Water	4,274,120	4,665,817	782,839	315,370	\$1,489,906		1,489,906
Storm sewer	2,314,247	1,630,262	514,551	463,811	294,377		294,377
Sewer	3,266,205	3,293,179		164,568	191,542		191,542
Refuse	2,762,220	2,976,571			214,351		214,351
Swimming pool	1,041,813	463,282			(578,531)		(578,531)
Emergency medical services	1,571,580	1,110,846	524,860		64,126		64,126
Athletic programs	258,362	259,810			1,448		1,448
Total business-type activities	15,488,547	14,399,767	1,822,250	943,749	1,677,219		1,677,219
Total all activities	\$41,208,458	\$17,449,559	\$4,511,309	\$5,382,810	(15,541,999)	1,677,219	(13,864,780)
General revenues:							
Property and uniform vehicle taxes					6,438,364		6,438,364
Sales and use taxes					11,293,832		11,293,832
Franchise, telecommunication and energy sales taxes					4,768,830		4,768,830
Transient room tax					143,669		143,669
Investment earnings					315,545	202,763	518,308
Miscellaneous					463,760		463,760
Gain on sale of capital assets					169,491		169,491
Transfers					(1,899,331)	1,899,331	
Total general revenues and transfers					21,694,160	2,102,094	23,796,254
Change in net assets					6,152,161	3,779,313	9,931,474
Net assets - beginning					41,466,980	62,993,442	104,460,422
Prior period adjustment to record infrastructure capital assets					60,297,329		60,297,329
Net assets - beginning as restated					101,764,309	62,993,442	164,757,751
Net assets - ending					\$107,916,470	\$66,772,755	\$174,689,225

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$3,706,361	\$2,868,110	\$1,715,806	\$8,290,277
Receivables:				
Taxes and intergovernmental	8,850,451		130,204	8,980,655
Accounts	36,330		54,010	90,340
Grants	70,076	97,398	98,559	266,033
Due from other funds	314,635		893	315,528
Prepaid	84,584			84,584
Restricted assets:				
Cash and cash equivalents	1,138,617		811,225	1,949,842
Total assets	<u>\$14,201,054</u>	<u>\$2,965,508</u>	<u>\$2,810,697</u>	<u>\$19,977,259</u>
<u>Liabilities and fund balance</u>				
Liabilities:				
Accounts payable	\$347,078	\$311,095	\$25,379	\$683,552
Accrued liabilities	1,585,192		4,098	1,589,290
Deposits	1,138,617		5,871	1,144,488
Due to developers	36,490			36,490
Due to other funds			315,528	315,528
Deferred revenue	5,810,487		101,829	5,912,316
Total liabilities	<u>8,917,864</u>	<u>311,095</u>	<u>452,705</u>	<u>9,681,664</u>
Fund balance:				
Reserved for:				
Class c roads	111,216	78,351		189,567
Street construction		774,945	203,254	978,199
Park development		250,188	165,205	415,393
Public safety facilities			62,443	62,443
Emergency dispatch service			317,614	317,614
Redevelopment			81,933	81,933
Debt service			811,225	811,225
Encumbrances	661,833		89,458	751,291
Total reserved fund balance	<u>773,049</u>	<u>1,103,484</u>	<u>1,731,132</u>	<u>3,607,665</u>
Unreserved, reported in				
General fund	4,510,141			4,510,141
Debt service fund			647,083	647,083
Capital project funds		1,550,929	(313,222)	1,237,707
Special revenue funds			292,999	292,999
Total unreserved fund balance	<u>4,510,141</u>	<u>1,550,929</u>	<u>626,860</u>	<u>6,687,930</u>
Total fund balances	<u>5,283,190</u>	<u>2,654,413</u>	<u>2,357,992</u>	<u>10,295,595</u>
Total liabilities and fund balances	<u>\$14,201,054</u>	<u>\$2,965,508</u>	<u>\$2,810,697</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	96,549,295
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,062,990
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,991,410)
Net assets of governmental activities	<u>\$107,916,470</u>

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the year ended June 30, 2006

	General	Capital Projects	Other Governmental	Total Governmental Funds
Revenues:				
Taxes and special assessments	\$22,221,139		\$220,177	\$22,441,316
Licenses and permits	1,426,020			1,426,020
Intergovernmental	2,013,993	\$204,351	686,931	2,905,275
Charges for services	460,929		1,427,510	1,888,439
Fines and forfeitures	306,685			306,685
Miscellaneous	632,403		649,246	1,281,649
Total revenues	27,061,169	204,351	2,983,864	30,249,384
Expenditures:				
Current:				
General government	3,771,383		58,313	3,829,696
Public safety	10,760,297		581,818	11,342,115
Community and economic development	1,148,281		417,961	1,566,242
Streets and public improvements	3,079,014			3,079,014
Parks and recreation	2,596,696			2,596,696
Debt service:				
Principal			937,821	937,821
Interest			94,228	94,228
Capital outlay		2,192,161		2,192,161
Total expenditures	21,355,671	2,192,161	2,090,141	25,637,973
Excess of revenues over (under) expenditures	5,705,498	(1,987,810)	893,723	4,611,411
Other financing sources (uses):				
Transfers in	688,514	3,465,617	1,114,212	5,268,343
Transfers out	(5,574,563)	(600,000)	(993,111)	(7,167,674)
Sale of capital assets	199,571		8,110	207,681
Total other financing sources (uses)	(4,686,478)	2,865,617	129,211	(1,691,650)
Net change in fund balances	1,019,020	877,807	1,022,934	2,919,761
Fund balances - beginning	4,264,170	1,776,606	1,335,058	7,375,834
Fund balances - ending	\$5,283,190	\$2,654,413	\$2,357,992	\$10,295,595

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Net change in fund balances - total governmental funds	\$2,919,761
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, and capital contributions exceeded depreciation in the current period.	2,286,840
In the statement of activities, only the gain on sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(38,190)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	203,813
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount bond and debt repayments exceed proceeds.	937,821
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(157,884)</u>
Change in net assets of governmental activities	<u><u>\$6,152,161</u></u>

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<u>Revenues</u>				
Taxes and special assessments	\$20,450,445	\$20,313,895	\$22,221,139	\$1,907,244
Licenses and permits	1,205,000	1,205,000	1,426,020	221,020
Intergovernmental	1,847,500	2,077,215	2,013,993	(63,222)
Charges for services	312,000	368,765	460,929	92,164
Fines and forfeitures	235,000	235,000	306,685	71,685
Miscellaneous	513,000	532,908	632,403	99,495
Total revenues	<u>24,562,945</u>	<u>24,732,783</u>	<u>27,061,169</u>	<u>2,328,386</u>
<u>Expenditures</u>				
Current:				
General government:				
Administration	769,256	778,286	742,650	35,636
Legal	643,841	651,581	639,024	12,557
Management services	1,722,179	1,763,790	1,706,105	57,685
Finance	692,842	702,564	683,604	18,960
Nondepartmental	135,052	35,052		35,052
Total general government	<u>3,963,170</u>	<u>3,931,273</u>	<u>3,771,383</u>	<u>159,890</u>
Public safety:				
Police	7,519,603	7,873,643	7,492,770	380,873
Fire	3,205,674	3,442,079	3,267,527	174,552
Total public safety	<u>10,725,277</u>	<u>11,315,722</u>	<u>10,760,297</u>	<u>555,425</u>
Community and economic development				
Streets and public improvements	1,157,562	1,165,702	1,148,281	17,421
Parks and recreation	3,026,551	3,425,749	3,079,014	346,735
Total expenditures	<u>21,533,869</u>	<u>22,515,944</u>	<u>21,355,671</u>	<u>1,160,273</u>
Excess of revenues over expenditures	<u>3,029,076</u>	<u>2,216,839</u>	<u>5,705,498</u>	<u>3,488,659</u>
<u>Other financing sources (uses)</u>				
Sale of capital assets	165,000	165,000	199,571	34,571
Transfers in	580,316	687,492	688,514	1,022
Transfers out	(4,031,972)	(5,574,563)	(5,574,563)	
Total other financing sources (uses)	<u>(3,286,656)</u>	<u>(4,722,071)</u>	<u>(4,686,478)</u>	<u>35,593</u>
Net change in fund balance	(257,580)	(2,505,232)	1,019,020	3,524,252
Fund balance - beginning	<u>4,264,170</u>	<u>4,264,170</u>	<u>4,264,170</u>	
Fund balance - ending	<u>\$4,006,590</u>	<u>\$1,758,938</u>	<u>\$5,283,190</u>	<u>\$3,524,252</u>

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

STATEMENT OF NET ASSETS PROPRIETARY FUNDS June 30, 2006

	Water	Storm Sewer	Sewer	Refuse	Other Proprietary Funds	Total Proprietary Funds
<u>Assets</u>						
Current assets:						
Cash and cash equivalents	\$827,788	\$1,285,091	\$1,487,660	\$254,831	\$488,953	\$4,344,323
Accounts receivable, net	1,128,941	233,700	584,170	515,747	222,245	2,684,803
Inventory					4,219	4,219
Prepaid expense	536,943					536,943
Total current assets	2,493,672	1,518,791	2,071,830	770,578	715,417	7,570,288
Noncurrent assets:						
Deferred charges	44,318					44,318
Due from other funds			600,000			600,000
Investment in water stocks and rights	296,521					296,521
Capital assets:						
Land	355,819	98,926			1,000	455,745
Buildings					2,218,732	2,218,732
Improvements other than buildings	397,467				20,112	417,579
Distribution and collections systems	34,638,348	28,640,335	12,050,805			75,329,488
Equipment	1,486,160	223,906	717,061		1,511,324	3,938,451
Construction in progress	1,695,529	3,871,863	481,279			6,048,671
Less: accumulated depreciation	(10,549,176)	(8,464,305)	(3,546,781)		(2,710,529)	(25,270,791)
Total capital assets (net of accumulated depreciation)	28,024,147	24,370,725	9,702,364		1,040,639	63,137,875
Total noncurrent assets	28,364,986	24,370,725	10,302,364		1,040,639	64,078,714
Total assets	30,858,658	25,889,516	12,374,194	770,578	1,756,056	71,649,002
<u>Liabilities</u>						
Current liabilities:						
Accounts payable	65,515	767,818	150,359	217,175	69,232	1,270,099
Accrued liabilities	27,268	8,408	6,639		50,823	93,138
Payable to other governments			66,389		3,926	70,315
Customer deposits	1,625					1,625
Accrued bond interest payable	33,546					33,546
Bonds payable	295,000					295,000
Total current liabilities	422,954	776,226	223,387	217,175	123,981	1,763,723
Noncurrent liabilities:						
Compensated absences payable	81,401	13,404	19,104		123,615	237,524
Due to other funds	600,000					600,000
Bonds payable	2,275,000					2,275,000
Total noncurrent liabilities	2,956,401	13,404	19,104		123,615	3,112,524
Total liabilities	3,379,355	789,630	242,491	217,175	247,596	4,876,247
<u>Net Assets</u>						
Invested in capital assets, net of related debt	25,454,147	24,370,725	9,702,364		1,040,639	60,567,875
Restricted for storm sewer development		570,768				570,768
Unrestricted	2,025,156	158,393	2,429,339	553,403	467,821	5,634,112
Total net assets	\$27,479,303	\$25,099,886	\$12,131,703	\$553,403	\$1,508,460	\$66,772,755

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the year ended June 30, 2006

	Water	Storm Sewer	Sewer	Refuse	Other Proprietary Funds	Total Proprietary Funds
<u>Operating revenues</u>						
Charges for services	\$4,619,046	\$1,605,186	\$3,279,719	\$2,976,571	\$1,716,590	\$14,197,112
Miscellaneous	3,863	25,076	13,460		117,348	159,747
Total operating revenues	4,622,909	1,630,262	3,293,179	2,976,571	1,833,938	14,356,859
<u>Operating expenses</u>						
Salaries, wages and benefits	822,720	295,199	711,217	56,941	1,657,255	3,543,332
Supplies and maintenance	788,520	1,314,772	285,235	32,215	708,607	3,129,349
Utilities	401,907	4,814	5,123	3,543	231,409	646,796
Professional services and training	12,389	6,700	2,361		53,330	74,780
Contracted services	1,043,353		1,708,800	2,658,317		5,410,470
Insurance	27,018	13,543	32,030	3,369	29,585	105,545
Rent	64,122	28,499	42,749	7,125		142,495
Franchise tax	269,802	91,506	160,998			522,306
Bad debt collection fees	1,594	710	710	710	12,678	16,402
Depreciation	737,402	558,504	316,982		178,891	1,791,779
Total operating expenses	4,168,827	2,314,247	3,266,205	2,762,220	2,871,755	15,383,254
Operating income (loss)	454,082	(683,985)	26,974	214,351	(1,037,817)	(1,026,395)
<u>Nonoperating revenues (expenses)</u>						
Interest revenue	31,585	68,458	94,366		8,354	202,763
Connection charges	42,908					42,908
Impact fees	493,830	514,551				1,008,381
Exaction fees	241,867					241,867
Grants	47,142				524,860	572,002
Bond issuance costs	(6,331)					(6,331)
Interest expense	(98,962)					(98,962)
Total nonoperating revenues (expenses)	752,039	583,009	94,366		533,214	1,962,628
Income (loss) before contributions and transfers	1,206,121	(100,976)	121,340	214,351	(504,603)	936,233
Capital contributions	315,370	463,811	164,568			943,749
Transfers in	2,200	2,112,769	4,350		448,000	2,567,319
Transfers out	(590,712)	(53,170)	(24,106)			(667,988)
Change in net assets	932,979	2,422,434	266,152	214,351	(56,603)	3,779,313
Total net assets - beginning	26,546,324	22,677,452	11,865,551	339,052	1,565,063	62,993,442
Total net assets - ending	\$27,479,303	\$25,099,886	\$12,131,703	\$553,403	\$1,508,460	\$66,772,755

The notes to the financial statements are an integral part of this statement

LAYTON CITY CORPORATION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the year ended June 30, 2006

	Water	Storm Sewer	Sewer
<u>Cash flow from operating activities</u>			
Receipts from customers (including cash deposits)	\$4,418,974	\$1,628,374	\$3,224,059
Receipts from interfund services received	7,180	308	2,475
Payments to suppliers	(1,246,283)	(749,835)	(411,319)
Payments to other governments	(1,043,353)		(1,686,251)
Payments for interfund services used	(352,513)	(126,247)	(219,571)
Payments to employees	(871,355)	(295,654)	(704,595)
Net cash provided (used) by operating activities	<u>912,650</u>	<u>456,946</u>	<u>204,798</u>
<u>Cash flow from non-capital financing activities</u>			
Transfers from other funds	2,200	2,112,769	4,350
Transfers to other funds	(590,712)	(53,170)	(24,106)
County, state and federal grants	47,142		
Connection fees	42,908		
Special assessments			1,418
Net cash provided (used) by non-capital financing activities	<u>(498,462)</u>	<u>2,059,599</u>	<u>(18,338)</u>
<u>Cash flow from capital and related financing activities</u>			
Bond payments - principal	(280,000)		
Bond payments - interest	(100,189)		
Purchase of capital assets	(20,989)	(23,692)	
Construction of capital assets	(537,045)	(3,865,246)	(517,682)
Impact fees	493,830	514,551	
Exaction fees	13,417		
Net cash used by capital and related financing activities	<u>(430,976)</u>	<u>(3,374,387)</u>	<u>(517,682)</u>
<u>Cash flow from investing activities</u>			
Interest earned on investments	31,585	68,458	94,366
Net cash provided by investing activities	<u>31,585</u>	<u>68,458</u>	<u>94,366</u>
Net increase (decrease) in cash and cash equivalents	14,797	(789,384)	(236,856)
Cash and cash equivalents at beginning of year	812,991	2,074,475	1,724,516
Cash and cash equivalents at end of year	<u>\$827,788</u>	<u>\$1,285,091</u>	<u>\$1,487,660</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$454,082	(\$683,985)	\$26,974
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	737,402	558,504	316,982
(Increase) in accounts receivable	(197,330)	(1,580)	(66,646)
(Increase) in inventories			
(Increase) in prepaid items	(37,515)		
Increase (decrease) in accounts payable	4,071	584,462	(102,023)
Increase (decrease) in accrued liabilities	(9,686)	4,490	101
Increase (decrease) in compensated absences	(38,949)	(4,945)	6,521
Increase (decrease) in amounts due to other governmental units			22,889
Increase in customer deposits	575		
Total adjustments	<u>458,568</u>	<u>1,140,931</u>	<u>177,824</u>
Net cash provided (used) by operating activities	<u>\$912,650</u>	<u>\$456,946</u>	<u>\$204,798</u>
Noncash investing, capital and financing activities:			
Contribution of water, sewer and storm drain lines from developers	\$315,370	\$463,811	\$164,568
Water exaction fees received as water stock shares	\$228,450		

The notes to the financial statements are an integral part of this statement

Refuse	Other Proprietary Funds	Totals
\$2,968,072	\$1,689,316	\$13,928,795
	59,564	69,527
(891,583)	(919,973)	(4,218,993)
(1,798,879)	(20,233)	(4,548,716)
(22,948)	(70,181)	(791,460)
(56,941)	(1,631,891)	(3,560,436)
197,721	(893,398)	878,717
	448,000	2,567,319
		(667,988)
	524,860	572,002
		42,908
		1,418
	972,860	2,515,659
		(280,000)
		(100,189)
		(44,681)
		(4,919,973)
		1,008,381
		13,417
		(4,323,045)
	8,354	202,763
	8,354	202,763
197,721	87,816	(725,906)
57,110	401,137	5,070,229
\$254,831	\$488,953	\$4,344,323
\$214,351	(\$1,037,817)	(\$1,026,395)
	178,891	1,791,779
(8,499)	(85,058)	(359,113)
	(1,261)	(1,261)
		(37,515)
(8,131)	30,650	509,029
	3,551	(1,544)
	18,264	(19,109)
	(618)	22,271
		575
(16,630)	144,419	1,905,112
\$197,721	(\$893,398)	\$878,717

LAYTON CITY CORPORATION

Notes to Financial Statements for year ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Layton City Corporation is a municipal government that was incorporated in 1920 as a subdivision of the State of Utah. The City is governed by an elected mayor and five-member council. The City is classified as a third class city under state statute and operates under the council-manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

The accounting policies of Layton City Corporation and its component units conform to accounting principles generally accepted in the United States as applicable to governmental units.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). The component units discussed below are included in the City's reporting entity because of the significance of the operational or financial relationships with the City.

The Redevelopment Agency of Layton City, Utah (Agency) was established to pursue redevelopment and economic development projects that are allowed within the state statutes. The Mayor and the City Council serve as the Board of Directors. Because of the dual role of the governing body, the City has substantial direct control and can impose its will upon the Agency. Separate financial statements for the agency are not prepared but are reported as part of this report as a blended component unit. The Agency is included as a special revenue fund and as a capital projects fund.

The Davis Metro Narcotics Strike Force (Strike Force) is an inter-local cooperative entity formed by the cities and county to jointly enforce drug laws. Some cities, including Layton City, provide manpower and some cities contribute cash in support of the Strike Force. The Strike Force is financed significantly by federal grants. The Strike Force, on its own, cannot qualify to be a grantee for federal grants. The City applies for and administers grants for the benefit of the Strike Force. The City Council does not have substantial direct control, nor can it impose its will upon the Strike Force. However, the Strike Force management, administration, fiscal and accounting affairs are intertwined with the public safety functions of the City. Therefore, the Strike Force has been included as a blended component unit in this report. The Strike Force does not issue separate financial statements. The Strike Force was previously reported as a blended component unit of Davis County government.

B. Government-wide and fund financial statements

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

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 segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement focus, basis of accounting

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.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. 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 year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. 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 the cash.

The City reports its general and capital projects fund as major governmental funds:

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

The capital projects fund is used to account for the acquisition or construction of major capital facilities and equipment that are funded with general resources of the City, but excludes equipment and facilities financed by proprietary funds.

The City reports the water, storm sewer, sewer, and refuse funds as major proprietary funds:

The water fund accounts for activities of the City's culinary water utility system.

The storm sewer fund accounts for the City's storm water utility system that collects, controls and diverts storm water to avoid flooding.

The sewer fund accounts for the activities of the sanitary sewer collection system which directs sewage to a treatment plant that is operated by another government agency.

The refuse fund accounts for the activities of solid waste collection and the cost of disposing it at a facility operated by another government agency.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Notes to Financial Statements for year ended June 30, 2006

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges; 2) operating grants and contributions; and 3) capital grants and contributions. Internally designated resources are reported as general revenues rather than as program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services and products related to such services, including connection fees. Operating expenses of the enterprise funds include the costs of providing the services and sale of products, administration costs, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources.

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

City cash and investments are kept separate from the Agency. The City maintains cash and investment pooled accounts that are available for use by all funds. Each fund's share of this pool is displayed on the individual fund balance sheets as "Cash and cash equivalents."

The State of Utah established an independent State Money Management Council to set investment regulations for state and local governments and to monitor the credit worthiness of the financial institutions in which state and local governmental funds are deposited. Governmental units are allowed to keep deposits only in institutions approved by the Council and only to an established aggregate limit for government deposits. The City invested only with approved financial institutions during the fiscal year ended June 30, 2006.

Statutes authorize the City to invest in a variety of instruments including; obligations of the U.S. Treasury, commercial paper classified as "first tier" by two national rating organizations one of which must be Moody's Investors Services or Standard and Poor's, repurchase and reverse repurchase agreements with qualified depositories, negotiable and nonnegotiable deposits, bankers acceptances, tax anticipation notes or general obligations of the state and political subdivisions, and the Utah Public Treasurer's Investment Fund.

The City policy allows for the investment of temporarily idle funds in any instrument allowed by the State Money Management Council, including the Utah Public Treasurer's Investment Fund that is managed by the State Treasurer.

2. Receivables and payables

Activity between funds that represent lending/borrowing arrangements outstanding are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance adjustment is determined annually using the accounts receivable historical method of calculation.

Property taxes attach as an enforceable lien on property January 1. Taxes are levied by June 22 or if there is a property tax increase then by August 17 and are payable by November 30. Davis County bills and collects property taxes for all entities that levy property taxes within the county.

The City records water and sewer utility revenues to the date that the meters have been read. Un-billed service has been accrued as an account receivable through June 30, 2006, and has likewise been recorded as revenue.

Notes to Financial Statements for year ended June 30, 2006

3. Inventories and prepaid items

Inventories are valued at cost, which approximates market, using the first in/first out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain assets are classified as restricted assets because bond covenants limit their use, and most are held in separate bank accounts for that purpose. Customer deposits held in governmental funds as sureties are also classified as restricted assets.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost that equals or exceeds a capitalization threshold with an estimated useful life in excess of two years. The City has separated assets into classifications for capitalization and threshold purposes. The threshold for capitalization is: 1) equipment, except vehicles and other rolling stock is \$5,000; 2) vehicles and other rolling stock is \$10,000; 3) improvements other than buildings \$50,000; 4) buildings \$100,000; and 5) infrastructure \$100,000.

During the year ended June 30, 2006, the City retroactively recorded infrastructure assets acquired before June 30, 2002. GASB Statement 34 required prospective reporting of infrastructure from June 30, 2002, but allowed additional time for recording of infrastructure constructed or acquired between June 30, 1980, and June 30, 2002. The pre June 30, 2002, infrastructure has been booked and reported in the government-wide financial statements as prescribed by Statement 34. The infrastructure assets, net of depreciation, are shown on the Statement of Activities as a prior period adjustment. Prior year comparative data in other areas of this report have been modified to reflect the retroactive recording of the infrastructure.

Property, plant and equipment of the City and component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure (utility systems)	50
Infrastructure (other)	40
Buildings	50
Improvements other than buildings	15
Equipment (except rolling stock)	5
Equipment (passenger cars)	3
Equipment (trucks)	5
Equipment (loaders, graders, etc.)	10

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

6. Compensated absences

Government-wide financial statements - amounts of accumulated vacation and sick leave for governmental funds that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as an expense in the government-wide statement of activities.

Notes to Financial Statements for year ended June 30, 2006

Governmental fund financial statements - no liability or expenditure is recorded for accumulated vacation and sick leave for governmental funds.

Proprietary fund financial statements - accumulated vacation and sick leave is recorded as a liability and an expense when accrued to the employee.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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 expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative data

Comparative total data for the prior year have been presented for individual governmental and proprietary funds in the section of the report titled "Combining and Individual Fund Statements and Schedules."

10. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation and are considered by the City to be immaterial.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. 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 the governmental activities as reported in the government-wide statement of net assets. The elements of that reconciliation are detailed below and primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

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

Cost of capital assets	\$139,822,109
Accumulated depreciation	<u>43,272,814</u>
Total difference	<u>\$96,549,295</u>

Notes to Financial Statements for year ended June 30, 2006

Long-term obligations – long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financial statements, however all liabilities are reported in the statement of net assets. Balances at June 30, 2006, were:

Sales tax and refunding revenue bonds	\$2,990,000
Sales tax and refunding revenue bond premium	111,924
Conference center note payable	460,110
Interest payable on long-term debt	37,598
Compensated absences payable	<u>1,391,778</u>
Total difference	<u>\$4,991,410</u>

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

Capital outlay	\$5,179,976
Depreciation expense	<u>2,893,136</u>
Net difference as reported	<u>\$2,286,840</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are prepared and adopted in accordance with accounting principles generally accepted in the United States and the "Uniform Fiscal Procedures Act for Utah Cities." The City Council must hold a public hearing and adopt the budget on or before June 22 for the following fiscal year, which begins July 1. Budgets at the fund level may be increased by the City Council's adoption of an amendment following the appropriate public hearing. Increases at the department level may be approved by the City Council by resolution without public hearing. Increases below the department level may be approved by the Budget Officer.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first regular council meeting in May, the City Manager submits to the City Council a proposed capital and operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and estimated revenues.
2. Prior to the formal adoption of the budget, the City Council holds budget workshop meetings, which are open to the public.
3. In the first City Council meeting in May, the City Council adopts a tentative budget and sets a date for a public budget hearing. At the end of the hearing or sometime thereafter, the budget as amended, is adopted by passage of a resolution.
4. Budgets are adopted annually for all governmental and enterprise fund types in accordance with accounting principles generally accepted in the United States. According to Utah statute, the term for capital project budgets shall "coincide with the term of the individual project or projects." However, because of other ambiguities in the statute, the Utah State Auditors Office requires that budget and actual statements for the capital projects fund be included in the financial report.
5. Commitments outstanding for contracts, goods or services, made before the end of the fiscal year, are

Notes to Financial Statements for year ended June 30, 2006

encumbered and shown as reservations of fund balances in governmental fund types. Unencumbered appropriations lapse at year end, except for capital projects that extend for the term of the project. Subsequent years' appropriations provide the authority to complete all encumbered transactions.

6. In connection with the budget adoption, the City establishes a property tax rate before June 22 if the tax rate is not an increase from the previous year as defined by Utah State Code. The City Recorder certifies the tax rate to the County Auditor on or before June 22. If the City determines the need to increase the property tax rate, a hearing on the tax increase and adoption of a final tax rate must be held after August 1 but on or before August 17. A final budget may then be adopted and the City Recorder must certify the increased tax rate to the County Auditor by this later date.

Utah State law prohibits the appropriation of unrestricted general fund balance until it exceeds the sum of 5 percent of the general fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted but is used to provide working capital, meet emergency expenditures, and cover unanticipated deficits. When the unreserved fund balance in the general fund is greater than 18 percent of expected revenues, the excess must be appropriated within the first budget following the year then ended.

The City Council made several supplemental budgetary appropriations throughout the year, including increases and decreases in the general fund. The expenditure appropriations for the general fund increased \$2,524,666. The changes included a transfer to the storm sewer fund of \$1,380,351, increases in public safety grants of \$219,715, a transfer to the swimming pool fund of \$127,500, increases in street maintenance of \$391,238, increases in police and fire operations of \$313,965, and various other items for \$91,897.

B. Deficit fund equity and excess expenditures over appropriations

On June 30, 2006, the redevelopment agency capital projects fund had a fund deficit of \$313,222. This resulted from borrowing money from the City capital projects fund and expending it for studies on a project to develop South Main Street in conjunction with a new interstate interchange. It is anticipated that repayment to the City and resolution of the fund deficit will come from future tax increment revenues.

The expenditures in the debt service fund exceeded the budget by \$14,821. This resulted from payments on a note that are directly tied to the transient room tax revenue. Transient room tax revenue was higher than budgeted and thus the payments made on the note were higher. The difference was not discovered in time to make the appropriate amendment.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

As of June 30, 2006, the City's demand deposits amounted to \$5,506,694.

As of June 30, 2006, the City had investments in the Utah Public Treasurer's Investment Fund of \$9,064,399. The fund is not rated and the weighted average maturity was less than 90 days.

Custodial credit risk – deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2006, \$7,097,785 of the City's \$7,201,447 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The Utah Money Management Act does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. The Act requires that the City keep deposits in a qualified depository, which the City has done.

Notes to Financial Statements for year ended June 30, 2006

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

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

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

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

B. Interest income

Interest income from the City’s pooled investments were recorded in the following funds:

General fund – undesignated	\$253,944
General fund – designated for class c roads	6,241
Special revenue funds	32,031
Debt service funds	23,329
Enterprise funds	202,763
Total interest income	\$518,308

C. Receivables

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

	General	Capital Projects	Water	Storm Sewer	Sewer	Refuse	Nonmajor Funds	Total
Receivables:								
Taxes and inter- governmental	\$8,850,451						\$130,204	\$8,980,655
Accounts	36,330		\$1,135,911	\$233,700	\$584,170	\$515,747	474,218	2,980,076
Grants	70,076	\$97,398					98,559	266,033
Gross total receivables	8,956,857	97,398	1,135,911	233,700	584,170	515,747	702,981	12,226,764
Less: Allowance for Uncollectible accounts			6,970				197,963	204,933
Net total receivables	\$8,956,857	\$97,398	\$1,128,941	\$233,700	\$584,170	\$515,747	\$505,018	\$12,021,831

Governmental funds report deferred revenue in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition for revenues that have been received, but not yet earned. At June 30, 2006, the components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Notes to Financial Statements for year ended June 30, 2006

	<u>Unavailable</u>
Delinquent property taxes receivable	\$675,549
Property taxes levied and receivable, but not due	5,236,767
Total deferred/unearned revenue for governmental funds	<u>\$5,912,316</u>

D. Interfund receivables and payables

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General	\$314,635	Water	\$600,000
Sewer	600,000	Nonmajor governmental	315,528
Nonmajor governmental	893		
Totals	<u>\$915,528</u>		<u>\$915,528</u>

Amounts payable to the general fund by a nonmajor governmental fund (victims services fund) of \$2,306, represented cash borrowed temporarily from pooled cash. The general fund is owed \$313,222 from a nonmajor governmental fund (redevelopment agency capital project fund). The loan was used to begin studies on a redevelopment project. It's expected that this will be repaid from property tax revenue generated by the redevelopment, but not within one year. The water fund owes \$600,000 to the sewer fund for money borrowed to construct a water storage tank. It's expected to be repaid over an eight to ten year period. A nonmajor governmental fund (redevelopment agency special revenue fund) temporarily borrowed \$893 from pooled cash of another nonmajor governmental fund (redevelopment agency capital project fund).

E. Interfund transfers

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

Transfers out:	Transfers In							Totals
	General	Capital Projects	Nonmajor Governmental Funds	Water	Storm Sewer	Sewer	Nonmajor Proprietary Funds	
General		\$2,493,032	\$1,114,212	\$2,200	\$1,512,769	\$4,350	\$448,000	\$5,574,563
Capital projects					600,000			600,000
Nonmajor governmental funds	\$70,526	922,585						993,111
Water	540,712	50,000						590,712
Storm sewer	53,170							53,170
Sewer	24,106							24,106
Totals	<u>\$688,514</u>	<u>\$3,465,617</u>	<u>\$1,114,212</u>	<u>\$2,200</u>	<u>\$2,112,769</u>	<u>\$4,350</u>	<u>\$448,000</u>	<u>\$7,835,662</u>

Major transfers from the general fund were \$448,000 to the swimming pool fund (nonmajor proprietary fund) to support operations, \$1,512,769 to the storm sewer fund for line construction, \$1,593,032 to the capital projects fund, and \$1,080,560 to the debt service fund (nonmajor governmental fund). The major transfer from the impact fee fund (nonmajor governmental fund) was \$900,000 to the capital project fund for projects. The major transfer from the water fund was \$472,000 to the general fund for partial repayment of money used to build water tanks in previous years.

F. Leases

The City entered into a twenty year lease in 1989 with the Division of Facilities Construction and Management on behalf of the State Judicial Council of the State of Utah. The lease is for a building that houses two courtrooms, offices and the City police department. The State has occupied the facility since September 1990 and pays the City \$376,668 per year. The State was extended an option to purchase the building. It is probable that the State will

Notes to Financial Statements for year ended June 30, 2006

exercise the option to purchase the building at the end of the lease period in 2010.

G. Capital assets

Capital asset activity for the year ended June 30, 2006, was as follows (Balance June 30, 2005, is as reported in the prior year and the infrastructure additions are the prior period adjustments displayed on the Statement of Activities):

Governmental activities:	Balance June 30, 2005	Infrastructure Prior Period Additions	Additions	Reductions	Balance June 30, 2006
Capital assets, not being depreciated:					
Land	\$7,737,239	\$37,306,970	\$1,936,342	\$1	\$46,980,550
Construction in progress	2,053,247		840,408	1,364,625	1,529,030
Total capital assets, not being depreciated	9,790,486	37,306,970	2,776,750	1,364,626	48,509,580
Capital assets, being depreciated:					
Buildings	16,110,629		158,961		16,269,590
Improvements other than buildings	2,325,710		880,630		3,206,340
Equipment	13,364,281		419,731	235,160	13,548,852
Infrastructure	10,301,786	45,677,432	2,308,528		58,287,746
Total capital assets being depreciated	42,102,406	45,677,432	3,767,850	235,160	91,312,528
Less accumulated depreciation for:					
Buildings	6,975,961		224,502		7,200,463
Improvements other than buildings	1,604,948		195,007		1,799,955
Equipment	9,006,719		1,072,979	196,971	9,882,727
Infrastructure	301,948	22,687,073	1,400,647		24,389,668
Total accumulated depreciation	17,889,576	22,687,073	2,893,135	196,971	43,272,813
Total capital assets, being depreciated,	24,212,830	22,990,359	874,715	38,189	48,039,715
Governmental activities capital assets, net	\$34,003,316	\$60,297,329	\$3,651,465	\$1,402,815	\$96,549,295

Business-type activities:	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$455,745			\$455,745
Construction in progress	2,360,572	\$4,128,904	\$440,805	6,048,671
Total capital assets, not being depreciated	2,816,317	4,128,904	440,805	6,504,416
Capital assets, being depreciated:				
Buildings	2,218,732			2,218,732
Improvements other than buildings	417,579			417,579
Equipment and utility systems	77,047,634	2,220,305		79,267,939
Total capital assets being depreciated	79,683,945	2,220,305		81,904,250
Less accumulated depreciation for:				
Buildings	1,503,457	21,514		1,524,971
Improvements other than buildings	400,149	1,340		401,489
Equipment and utility systems	21,575,406	1,768,925		23,344,331
Total accumulated depreciation	23,479,012	1,791,779		25,270,791
Total capital assets, being depreciated, net	56,204,933	428,526		56,633,459
Business-type activities capital assets, net	\$59,021,250	\$4,557,430	\$440,805	\$63,137,875

Notes to Financial Statements for year ended June 30, 2006

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$176,861
Public safety	707,320
Community and economic development	30,776
Streets and public improvements	1,630,048
Parks and recreation	348,130
Total depreciation expense – governmental activities	<u>\$2,893,135</u>
Business-type activities:	
Water	\$737,402
Storm sewer	558,504
Sewer	316,982
Swimming pool	89,144
Emergency medical services (EMS)	89,747
Total depreciation expense – business-type activities	<u>\$1,791,779</u>

Construction commitments

The City had active construction projects as of June 30, 2006. They included projects for street widening, new parks, water lines, sewer lines and storm sewer lines. At the year end the City's commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Streets	\$836,941	\$1,063,059
Water lines	143,577	423,749
Sewer lines	344,517	586,044
Storm sewer lines	3,128,907	652,217
Total	<u>\$4,453,942</u>	<u>\$2,725,069</u>

H. Long term debt

Revenue bonds

The City issued sales tax revenue bonds on July 15, 2003, in the amount of \$7,740,000. Proceeds of \$4,615,000 were used to pay off a lease purchase agreement with the Municipal Building Authority (Authority) and \$3,125,000 was used to replace all water meters in the water fund operation with new radio read type meters. The water fund will repay the portion of the debt used for water meters even though the debt is secured by sales tax revenue. The Authority used the lease purchase payment to retire all outstanding bonds and transferred title of the assets to the City.

Revenue bonds outstanding at the year end were \$5,560,000.

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$830,000	\$71,999	\$295,000	\$67,887
2008	850,000	49,472	300,000	60,508
2009	880,000	24,950	305,000	52,967
2010	430,000	6,461	310,000	46,469
2011			325,000	37,880
2012 – 2014			1,035,000	52,109
Total	<u>\$2,990,000</u>	<u>\$152,882</u>	<u>\$2,570,000</u>	<u>\$317,820</u>

Notes to Financial Statements for year ended June 30, 2006

Notes payable

The City issued a note in December 2003 in the amount of \$700,000 to assist in the development of a county owned conference center and privately owned hotel. Debt service requirements on this note are linked directly to the receipts of an imposed transient room tax. As revenue is received, the entire amount is paid towards retirement of the note. The City estimated that the transient room tax will provide approximately \$100,000 per year and will retire the debt in seven to eight years. The balance of the note at June 30, 2006 was \$460,110.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$3,810,000		\$820,000	\$2,990,000	\$830,000
Conference center note	577,931		117,821	460,110	118,000
Compensated absences	1,230,542	\$1,365,503	1,204,267	1,391,778	1,204,000
Total governmental activities	\$5,618,473	\$1,365,503	\$2,142,088	\$4,841,888	\$2,152,000
Business-type activities:					
Sales tax revenue bonds	\$2,850,000		\$280,000	\$2,570,000	\$295,000
Compensated absences	256,633	\$207,519	226,628	237,524	227,000
Total business-type activities	\$3,106,633	\$207,519	\$506,628	\$2,807,524	\$522,000

Compensated absences for the governmental activities are generally liquidated by the general fund.

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The City is a member of the Utah Risk Management Mutual Association (URMMA). It is an insurance pool for liability insurance, except workers compensation insurance, made up of municipalities in the state. Each city pays premiums into a cash reserve fund for possible losses. Payment of the annual premium indemnifies the City for claims that exceed the per occurrence deductible. The policy provides \$6,000,000 of liability coverage per occurrence after a deductible of \$15,000. In the event URMMA becomes insolvent, the City is fully responsible for all claims. The obligation of URMMA to pay damages on behalf of the City applies only to damages in excess of the member "deductibles" outlined in the Coverage Profile. The member "deductibles" include attorney's fees, settlements, judgments, and all other costs incurred in defending a claim. URMMA purchases umbrella insurance to protect against large claims. URMMA reviews risk management programs and gives recommendations and premium discounts to cities that adopt them. Layton City has adopted various recommendations and receives discounts.

The City carries workers compensation insurance for claims related to work injuries and illnesses.

Buildings and contents are covered by commercial insurance with a deductible of \$2,500. Vehicles and equipment valued at \$50,000 or more are covered by commercial insurance with a \$1,000 deductible. Vehicles and equipment valued at less than \$50,000 are self insured.

The City has a claims committee and a risk management committee. The claims committee reviews all claims made against the City. The committee reviews the claim and potential liability and makes a recommendation to the City Manager for settlement. All personal injury claims and property damage claims exceeding \$15,000 are handled by URMMA.

The risk management committee reviews potential risks that are brought to its attention and makes recommendations

Notes to Financial Statements for year ended June 30, 2006

to remove or mitigate the risk of loss. It also reviews the implementation and compliance with URMMA's risk management programs.

Estimates of claims incurred but not reported, and estimated costs of claims that are reported but not settled, do not represent a material amount and they have not been accrued at year end. Settlements have not exceeded coverages for each of the last three fiscal years.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Jointly governed organization

Utah Risk Management Mutual Association (URMMA), a separate legal entity and political subdivision of the State of Utah, was formed by an inter-local agreement effective September 30, 1985, pursuant to the provisions of the Utah Inter-local Co-operation Act. The inter-local agreement has a fifty-year term. Municipalities seek membership in the Association in order to provide more comprehensive and economical risk coverage, to reduce the amount and frequency of losses, and to decrease the cost incurred in handling and litigating claims. The City is participating in this association along with approximately 40 other cities. URMMA financial statements may be obtained at their office, 360 West 920 North, Orem, Utah 84057.

The City paid premiums of \$332,800 to URMMA for the year ended June 30, 2006. The City paid URMMA \$28,859 for costs and claims below the deductible limit or otherwise not covered.

D. Other post employment benefits

The City provides limited postretirement health and dental benefits for certain retirees and their dependents. The retiree must: 1) meet the eligibility requirements of the Utah Retirement System (URS) in years of service and/or age; 2) retire in good standing; 3) have at least 5 years of continuous full-time service; and 4) qualify for COBRA. The employee and eligible dependents may continue on the City's partially self insured health plan for up to 5 years, including any COBRA coverage period. The retiree must pay a monthly premium that is calculated to be equal to the City's contribution for an employee. The City doesn't make any monetary contribution specifically for the retiree. However, since it is a partially self funded plan, claims paid for retirees may affect the overall contribution by the City to the plan.

E. Employee retirement systems and plans

The City participates in the Utah Retirement Systems (URS) cost-sharing multiple employer defined benefit plans for public employees of the State of Utah and participating local governments. The URS is administered by the Utah State Retirement Board which is the State Treasurer and six members appointed by the governor. The systems are established and governed by sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The City is obligated to participate in the URS if it has employees meeting membership requirements. The City participates and makes contributions to the Local Government Contributory Retirement System, Local Government Noncontributory Retirement System, Public Safety Retirement System (Contributory and Noncontributory Divisions), and Firefighters Retirement System. All City employees are covered by Social Security in conjunction with these systems. The City Council elected to have all general public employees hired after June 30, 1991, belong to the Local Government Noncontributory Retirement System and police officers hired after December 31, 1994, belong to the Public Safety Retirement System, Noncontributory Division.

Notes to Financial Statements for year ended June 30, 2006

URS provides retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes. The URS issues a publicly available financial report that includes financial statements and required supplementary information for all the systems in which the City participates. A copy of the report may be obtained by writing to Utah Retirement Systems, 540 E 200 S, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Under the URS plans, the City is required to contribute a percentage of the annual covered salary. The City makes both the employee and employer designated contribution in contributory type plans. The following were the actuarially determined contribution rates required for fiscal year ended June 30, 2006:

System Name	Contribution Rate
Local Government Contributory Retirement System	13.08%
Local Government Noncontributory Retirement System	11.09%
Public Safety Retirement System, Contributory Division	20.24%
Public Safety Retirement System, Noncontributory Division	19.34%
Firefighters Retirement System	8.61%

The City made contributions equal to the required contributions for each fiscal year ended June 30 as noted below:

System Name	Contributions		
	2006	2005	2004
Local Government Contributory Retirement System	\$103,859	\$106,330	\$96,095
Local Government Noncontributory Retirement System	577,985	553,663	452,412
Public Safety Retirement System Contributory and Noncontributory Divisions	588,347	570,685	468,474
Firefighter Retirement System	202,107	182,253	152,803

Alternate retirement plan - The URS regulations allow exemption of up to 10% of the City's employees from participation. The City Manager, department directors and a few other professional positions are given the option to participate in the URS or an alternate retirement plan. In addition, a few employees that have retired in the URS and cannot participate further in that plan participate in this plan. The alternate retirement plan is a single employer defined contribution plan, established under the Internal Revenue Code section 401A and managed by the International City Manager Association Retirement Corporation (ICMA-RC). Contributions made by the City to the alternate retirement plan for exempt employees for the fiscal year ended June 30, 2006, were \$267,937.

Other retirement contributions - Employees hired prior to February 8, 1992, have a total of 20% contributed toward all retirement plans. Contributions are first made, as required, to the URS plans and any remainder is contributed to the single employer defined contribution plan that is the same as the "Alternate Retirement Plan" described above. Employees hired on or after February 8, 1992, are not eligible for the additional contribution. Contributions made by the City to this plan for fiscal year ended June 30, 2006, were \$154,293.

Deferred compensation plan - The City offers plans created in accordance with Internal Revenue Code section 457. All contributions are held in trust for the participating employee and no ownership rights are retained by the City. Therefore, plan assets are not reported in these financial statements.

F. Inter-local agreement

The City entered into an inter-local agreement with the Davis School District to construct a new gymnasium. The agreement provided for a sharing of the construction cost. It further provided that the school district would own the facility and the City would have a shared use of the facility for a period of 99 years. The City capitalized the original cost of \$1,572,245 in the buildings category of capital assets and has depreciated it based on the same useful life as buildings, which is 50 years.

Notes to Financial Statements for year ended June 30, 2006

G. Redevelopment agency – state report on property tax collection

The Agency has one approved and adopted project known as the South Main/South Fort Lane Project. The first tax increment was received in the year. The Agency has borrowed from the City for expenditures on preliminary studies in anticipation of future tax increment revenues. The following is provided as required by state statute:

a) Tax increment collected	\$76,508
b) Tax increment paid to other entities	None
c) Outstanding principal amount of bonds issued	None
d) Project expenditures and administrative costs	\$313,222

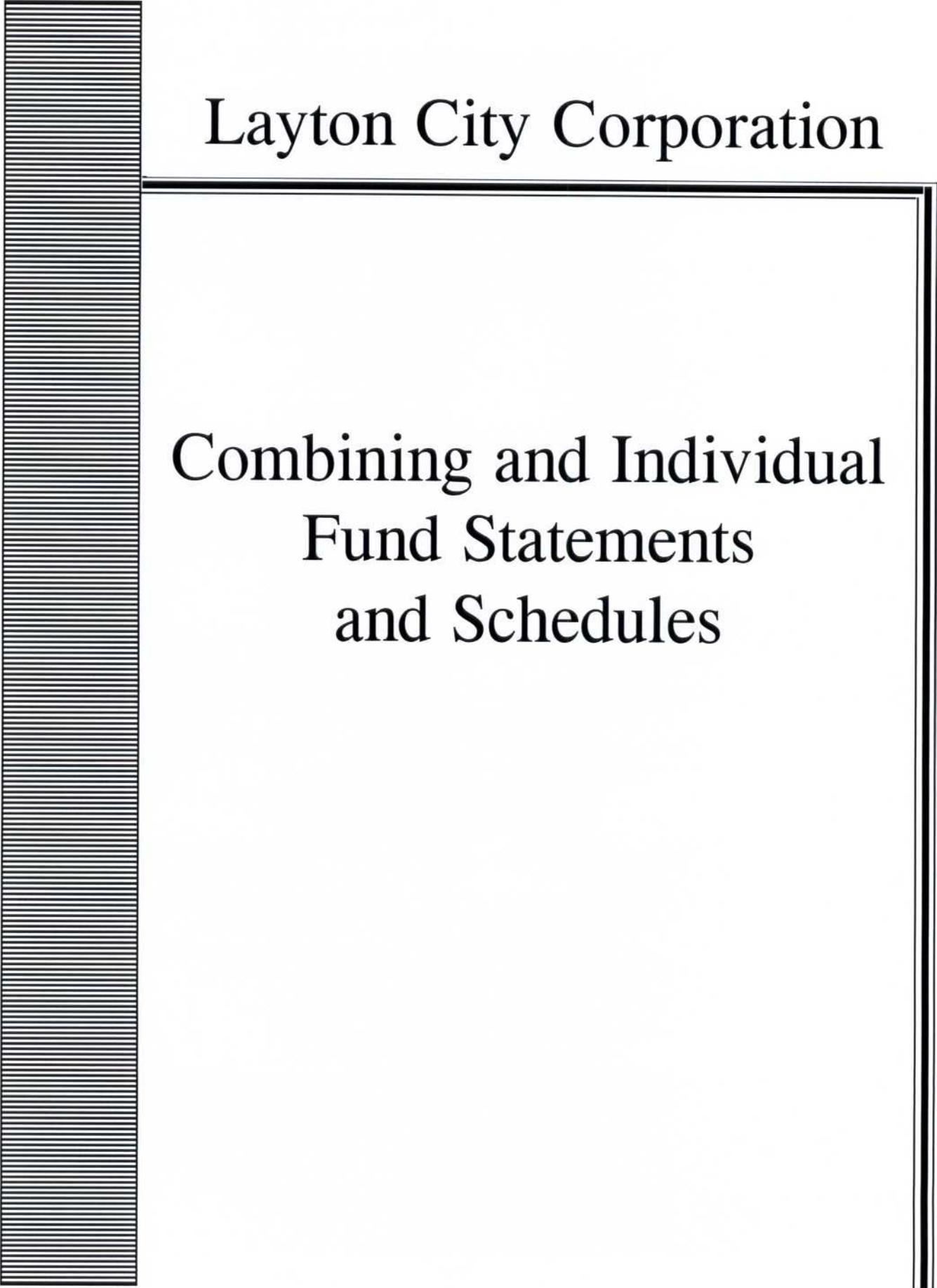
H. Commitments

The City entered into a Pledge and Loan Agreement with the Utah Telecommunications Open Infrastructure Agency (UTOPIA). UTOPIA is an interlocal cooperative created to finance, construct and operate a system of fiber optic communication lines in various cities in the state. UTOPIA would lease use of the fiber optic system to retail vendors of telephony, video and other digital services. The pledge commits the City to set aside and deposit funds as security in a debt service reserve fund for the portion of the project related to the City. The maximum amount committed by the City was \$1,676,968. Sales and use tax revenues have been pledged towards the payment of the City's share of the debt service reserve fund requirement, however, the pledge is junior to any previously pledged sales and use tax revenue. On July 1, 2007, the City will be required to deposit \$335,394 into the UTOPIA Series 2004 Bond Debt Service Reserve Fund. These funds will remain on deposit until the sooner of the bonds being retired or 20 years from July 1, 2007. The City will, if additional bonds are issued, be required to deposit an additional \$1,341,574 into a bond debt service reserve fund. The timing of these additional pledged deposits depends on the timing of additional bond issues. These funds will remain on deposit until the sooner of the bonds being retired or 20 years from the date the City is required to pay the pledge into the debt service reserve fund. As of June 30, 2006, the City had set aside \$559,000 in the debt service fund to be used towards the commitment.

I. Subsequent Events

On October 31, 2006, the City issued \$5,210,000 in sales tax revenue bonds at an interest rate of 4.08%. Proceeds were used to purchase 43.6 acres of property for future park development.

In October 2006, the City received notice that Standard & Poor's upgraded the underlying rating on the series 2003 sales tax revenue and refunding bonds from AA- to AA.



Layton City Corporation

Combining and Individual Fund Statements and Schedules

LAYTON CITY CORPORATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue				
	Emergency Dispatch Service	Davis Metro Narcotics Strike Force	Victims Services	Community Development Block Grant	Impact Fee
<u>Assets</u>					
Cash and cash equivalents	\$291,983	\$73,359		\$219,814	\$430,902
Receivables:					
Taxes and intergovernmental Accounts	54,010				
Grants		58,645	\$9,414	30,500	
Due from other funds					
Restricted cash and cash equivalents					
Total assets	\$345,993	\$132,004	\$9,414	\$250,314	\$430,902
<u>Liabilities and fund balances</u>					
<u>Liabilities:</u>					
Accounts payable	\$13,205	\$12,121		\$53	
Accrued liabilities		1,015	\$1,499	1,584	
Deposits		5,871			
Due to other funds			2,306		
Deferred revenue					
Total liabilities	13,205	19,007	3,805	1,637	
<u>Fund balances (deficit):</u>					
<u>Reserved for:</u>					
Street construction					\$203,254
Park development					165,205
Public safety facilities					62,443
Emergency dispatch service	317,614				
Redevelopment					
Debt service					
Encumbrances	15,174			74,284	
<u>Unreserved:</u>					
Designated					
Undesignated		112,997	5,609	174,393	
Total fund balances (deficit)	332,788	112,997	5,609	248,677	430,902
Total liabilities and fund balances	\$345,993	\$132,004	\$9,414	\$250,314	\$430,902

Special Revenue			Debt Service	Capital Project	Total Nonmajor Governmental Funds
Streetscape Maintenance	Local Law Enforcement Block Grant	Redevelopment Agency	Debt Service	Redevelopment Agency	
		\$81,040	\$618,708		\$1,715,806
		101,829	28,375		130,204
		893			54,010
			811,225		98,559
					893
					811,225
		<u>\$183,762</u>	<u>\$1,458,308</u>		<u>\$2,810,697</u>
					\$25,379
					4,098
					5,871
				\$313,222	315,528
		<u>\$101,829</u>			101,829
		101,829		313,222	452,705
					203,254
					165,205
					62,443
		81,933			317,614
			\$811,225		81,933
					811,225
					89,458
			559,000		559,000
			88,083	(313,222)	67,860
		81,933	1,458,308	(313,222)	2,357,992
		<u>\$183,762</u>	<u>\$1,458,308</u>		<u>\$2,810,697</u>

LAYTON CITY CORPORATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS For the year ended June 30, 2006

	Special Revenue				
	Emergency Dispatch Service	Davis Metro Narcotics Strike Force	Victims Services	Community Development Block Grant	Impact Fee
Revenues:					
Taxes and special assessments					
Intergovernmental	\$10,612	\$194,696	\$42,611	\$418,446	
Charges for services	341,515				\$1,085,995
Miscellaneous	11,273	28,385		192,946	15,776
Total revenues	363,400	223,081	42,611	611,392	1,101,771
Expenditures:					
Current:					
General government			58,313		
Public safety	329,844	251,974			
Community and economic development				417,961	
Debt service:					
Principal					
Interest					
Total expenditures	329,844	251,974	58,313	417,961	
Excess (deficiency) of revenues over (under) expenditures	33,556	(28,893)	(15,702)	193,431	1,101,771
Other financing sources (uses):					
Transfers in	4,740		18,912		
Transfers out				(49,900)	(900,000)
Sale of capital assets		8,110			
Total other financing sources (uses)	4,740	8,110	18,912	(49,900)	(900,000)
Net change in fund balances	38,296	(20,783)	3,210	143,531	201,771
Fund balances (deficit) - beginning	294,492	133,780	2,399	105,146	229,131
Fund balances (deficit) - ending	\$332,788	\$112,997	\$5,609	\$248,677	\$430,902

<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Streetscape Maintenance</u>	<u>Local Law Enforcement Block Grant</u>	<u>Redevelopment Agency</u>	<u>Debt Service</u>	<u>Redevelopment Agency</u>	
		\$76,508	\$143,669		\$220,177
	\$20,566				686,931
		870	399,996		1,427,510
					649,246
	20,566	77,378	543,665		2,983,864
					58,313
					581,818
					417,961
			937,821		937,821
			94,228		94,228
			1,032,049		2,090,141
	20,566	77,378	(488,384)		893,723
			1,090,560		1,114,212
(\$22,645)	(20,566)				(993,111)
					8,110
(22,645)	(20,566)		1,090,560		129,211
(22,645)		77,378	602,176		1,022,934
22,645		4,555	856,132	(\$313,222)	1,335,058
		<u>\$81,933</u>	<u>\$1,458,308</u>	<u>(\$313,222)</u>	<u>\$2,357,992</u>

LAYTON CITY CORPORATION

GENERAL FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$3,706,361	\$3,002,685
Receivables:		
Taxes and intergovernmental	8,850,451	8,440,463
Accounts	36,330	47,884
Grants	70,076	67,594
Special assessments		612
Due from other funds	314,635	8,614
Prepaid	84,584	25,460
Restricted assets:		
Cash and cash equivalents	1,138,617	979,681
Total assets	<u>\$14,201,054</u>	<u>\$12,572,993</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Accounts payable	\$347,078	\$343,756
Accrued liabilities	1,585,192	1,306,912
Customer deposits	1,138,617	979,681
Due to developers	36,490	45,517
Deferred revenue	5,810,487	5,632,957
Total liabilities	<u>8,917,864</u>	<u>8,308,823</u>
Fund balance:		
Reserved for:		
Class c roads	111,216	42,363
Encumbrances	661,833	158,367
Total reserved	773,049	200,730
Unreserved, undesignated	<u>4,510,141</u>	<u>4,063,440</u>
Total fund balance	<u>5,283,190</u>	<u>4,264,170</u>
Total liabilities and fund balance	<u>\$14,201,054</u>	<u>\$12,572,993</u>

LAYTON CITY CORPORATION

GENERAL FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the years ended June 30, 2006 and 2005

	2006	2005
<u>Revenues</u>		
Taxes and special assessments	\$22,221,139	\$19,105,114
Licenses and permits	1,426,020	1,157,542
Intergovernmental	2,013,993	2,141,565
Charges for services	460,929	475,338
Fines and forfeitures	306,685	291,415
Miscellaneous	632,403	596,273
Total revenues	<u>27,061,169</u>	<u>23,767,247</u>
<u>Expenditures</u>		
Current:		
General government	3,771,383	3,375,796
Public safety	10,760,297	10,251,827
Community and economic development	1,148,281	1,136,273
Streets and public improvements	3,079,014	3,623,479
Parks and recreation	2,596,696	2,544,165
Total expenditures	<u>21,355,671</u>	<u>20,931,540</u>
Excess of revenues over expenditures	<u>5,705,498</u>	<u>2,835,707</u>
<u>Other financing sources (uses)</u>		
Transfers in:		
Local law enforcement block grant fund	20,566	22,510
Streetscape maintenance fund	60	
Impact fee fund		75,000
Water fund	540,712	66,048
Storm sewer fund	53,170	46,440
Sewer fund	24,106	25,104
Community development block grant fund	49,900	78,128
Total transfers in	<u>688,514</u>	<u>313,230</u>
Transfers out:		
Swimming pool fund	(448,000)	(218,955)
Debt service fund	(1,090,560)	(422,496)
Capital projects fund	(2,493,032)	(2,782,390)
Victim services fund	(18,912)	(17,492)
Water fund	(2,200)	
Sewer fund	(4,350)	
Storm sewer fund	(1,512,769)	(232,000)
Emergency dispatch service fund	(4,740)	
Emergency medical services fund		(242,272)
Total transfers out	<u>(5,574,563)</u>	<u>(3,915,605)</u>
Sale of capital assets	199,571	91,307
Total other financing sources and uses	<u>(4,686,478)</u>	<u>(3,511,068)</u>
Net change in fund balance	1,019,020	(675,361)
Fund balance - beginning	4,264,170	4,939,531
Fund balance - ending	<u>\$5,283,190</u>	<u>\$4,264,170</u>

LAYTON CITY CORPORATION

EMERGENCY DISPATCH SERVICE FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$291,983	\$230,743
Receivables - accounts	54,010	63,925
Total assets	<u>\$345,993</u>	<u>\$294,668</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Accounts payable	<u>\$13,205</u>	<u>\$176</u>
Total liabilities	<u>13,205</u>	<u>176</u>
Fund balance:		
Reserved for encumbrances	15,174	260
Unreserved, undesignated	<u>317,614</u>	<u>294,232</u>
Total fund balance	<u>332,788</u>	<u>294,492</u>
Total liabilities and fund balance	<u>\$345,993</u>	<u>\$294,668</u>

LAYTON CITY CORPORATION

EMERGENCY DISPATCH SERVICE FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

For the year ended June 30, 2006
 (with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Intergovernmental:					
EMS supplies grant		\$3,661	\$4,141	\$480	
Phase II sub recipient grant			6,471	6,471	
Charges for services:					
Telephone fees	\$385,000	385,000	341,515	(43,485)	\$361,264
Miscellaneous:					
Interest	4,325	4,325	11,273	6,948	3,387
Total revenues	389,325	392,986	363,400	(29,586)	364,651
<u>Expenditures</u>					
Current:					
Public safety:					
Salaries, wages and benefits	199,987	199,987	199,987		196,373
Materials and supplies	137,557	145,958	129,857	16,101	106,613
Equipment					13,126
Total expenditures	337,544	345,945	329,844	16,101	316,112
Excess of revenues over expenditures	51,781	47,041	33,556	(13,485)	48,539
<u>Other financing sources</u>					
Transfers in - general fund		4,740	4,740		
Net change in fund balance	51,781	51,781	38,296	(13,485)	48,539
Fund balance at beginning of year	294,492	294,492	294,492		245,953
Fund balance at end of year	\$346,273	\$346,273	\$332,788	(\$13,485)	\$294,492

LAYTON CITY CORPORATION

DAVIS METRO NARCOTICS STRIKE FORCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$73,359	\$86,059
Receivables-grants	58,645	156,694
Total assets	<u>\$132,004</u>	<u>\$242,753</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Accounts payable	\$12,121	\$108,150
Accrued liabilities	1,015	823
Seizure deposits	5,871	
Total liabilities	<u>19,007</u>	<u>108,973</u>
Fund balance:		
Reserved for encumbrances		2,032
Unreserved, undesignated	112,997	131,748
Total fund balance	<u>112,997</u>	<u>133,780</u>
Total liabilities and fund balance	<u>\$132,004</u>	<u>\$242,753</u>

LAYTON CITY CORPORATION

DAVIS METRO NARCOTICS STRIKE FORCE FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the year ended June 30, 2006

(with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Intergovernmental:					
Byrne grant		\$7,880	\$7,880		\$156,584
HIDTA grant	\$42,770	42,770	42,368	(\$402)	31,050
JAG grant	95,000	95,000	90,169	(4,831)	
Homeland security grant	5,000	5,232	7,229	1,997	134,254
Participating entity assessments	47,050	47,050	47,050		53,984
Miscellaneous:					
Restitution and forfeited seizures	5,000	5,000	19,049	14,049	15,608
Interest			4,113	4,113	2,175
Other		6,832	5,223	(1,609)	4,790
Total revenues	194,820	209,764	223,081	13,317	398,445
<u>Expenditures</u>					
Current:					
Public safety:					
Salaries, wages and benefits	78,440	94,598	93,101	1,497	70,752
Materials and supplies	112,930	131,260	126,735	4,525	124,191
Equipment	32,032	32,264	32,138	126	212,867
Total expenditures	223,402	258,122	251,974	6,148	407,810
Deficiency of revenues under expenditures	(28,582)	(48,358)	(28,893)	19,465	(9,365)
<u>Other financing sources</u>					
Sale of capital assets	8,000	8,000	8,110	110	13,025
Net change in fund balance	(20,582)	(40,358)	(20,783)	19,575	3,660
Fund balance at beginning of year	133,780	133,780	133,780		130,120
Fund balance at end of year	\$113,198	\$93,422	\$112,997	\$19,575	\$133,780

LAYTON CITY CORPORATION

VICTIMS SERVICES FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Receivables - grants	\$9,414	\$12,233
Total assets	\$9,414	\$12,233
<u>Liabilities and fund balance</u>		
Liabilities:		
Accounts payable		\$8
Accrued liabilities	\$1,499	1,212
Due to other funds	2,306	8,614
Total liabilities	3,805	9,834
Fund balance:		
Reserved for encumbrances		154
Unreserved, undesignated	5,609	2,245
Total fund balance	5,609	2,399
Total liabilities and fund balance	\$9,414	\$12,233

LAYTON CITY CORPORATION

VICTIMS SERVICES FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006
(with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Intergovernmental:					
VOCA grant	\$42,058	\$42,058	\$42,611	\$553	\$42,058
Total revenues	42,058	42,058	42,611	553	42,058
<u>Expenditures</u>					
Current:					
General government:					
Salaries, wages and benefits	56,785	58,075	53,889	4,186	53,230
Materials and supplies	4,339	4,339	4,424	(85)	4,018
Total expenditures	61,124	62,414	58,313	4,101	57,248
Deficiency of revenues under expenditures	(19,066)	(20,356)	(15,702)	4,654	(15,190)
<u>Other financing sources:</u>					
Transfers in	18,912	18,912	18,912		17,492
Net change in fund balance	(154)	(1,444)	3,210	4,654	2,302
Fund balance at beginning of year	2,399	2,399	2,399		97
Fund balance at end of year	\$2,245	\$955	\$5,609	\$4,654	\$2,399

LAYTON CITY CORPORATION

COMMUNITY DEVELOPMENT BLOCK GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$219,814	\$106,377
Receivables - grants	30,500	
Total assets	<u>\$250,314</u>	<u>\$106,377</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Accounts payable	\$53	
Accrued liabilities	1,584	\$1,231
Total liabilities	1,637	1,231
Fund balance:		
Reserved for encumbrances	74,284	
Unreserved, undesignated	174,393	105,146
Total fund balance	<u>248,677</u>	<u>105,146</u>
Total liabilities and fund balance	<u>\$250,314</u>	<u>\$106,377</u>

LAYTON CITY CORPORATION

COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

For the year ended June 30, 2006
 (with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Intergovernmental:					
Community development block grant	\$387,946	\$418,446	\$418,446		\$409,000
Miscellaneous:					
Housing programs	100,000	192,946	192,946		153,000
Total revenue	487,946	611,392	611,392		562,000
<u>Expenditures</u>					
Current:					
Community and economic development:					
Salaries, wages and benefits	39,659	39,659	39,386	\$273	40,353
Materials, supplies and programs	67,025	138,087	60,529	77,558	79,199
Housing programs	322,946	485,946	318,046	167,900	283,900
Total expenditures	429,630	663,692	417,961	245,731	403,452
Excess (deficiency) of revenues over (under) expenditures	58,316	(52,300)	193,431	245,731	158,548
<u>Other financing uses</u>					
Transfers out	(58,316)	(49,900)	(49,900)		(78,128)
Net change in fund balance		(102,200)	143,531	245,731	80,420
Fund balance - beginning	105,146	105,146	105,146		24,726
Fund balance - ending	\$105,146	\$2,946	\$248,677	\$245,731	\$105,146

LAYTON CITY CORPORATION

IMPACT FEE FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$430,902	\$229,131
Total assets	<u>\$430,902</u>	<u>\$229,131</u>
<u>Liabilities and fund balance</u>		
Fund balance:		
Reserved for street construction	\$203,254	\$198,081
Reserved for park development	165,205	31,050
Reserved for public safety facilities	62,443	
Total fund balance	<u>430,902</u>	<u>229,131</u>
Total liabilities and fund balance	<u>\$430,902</u>	<u>\$229,131</u>

LAYTON CITY CORPORATION

IMPACT FEE FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the year ended June 30, 2006

(with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Charges for services:					
Transportation impact fees	\$500,000	\$500,000	\$645,793	\$145,793	\$483,371
Park impact fees	250,000	250,000	378,660	128,660	
Public safety impact fees			61,542	61,542	271,155
Miscellaneous:					
Interest	4,000	4,000	15,776	11,776	6,272
Total revenues	<u>754,000</u>	<u>754,000</u>	<u>1,101,771</u>	<u>347,771</u>	<u>760,798</u>
<u>Other financing uses</u>					
Transfers out:					
General fund					75,000
Capital projects fund:					
Street projects	650,000	650,000	650,000		750,000
Park projects	250,000	250,000	250,000		310,000
Total other financing uses	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>		<u>1,135,000</u>
Net change in fund balance	(146,000)	(146,000)	201,771	347,771	(374,202)
Fund balance - beginning	<u>229,131</u>	<u>229,131</u>	<u>229,131</u>		<u>603,333</u>
Fund balance - ending	<u>\$83,131</u>	<u>\$83,131</u>	<u>\$430,902</u>	<u>\$347,771</u>	<u>\$229,131</u>

LAYTON CITY CORPORATION

STREETSCAPE MAINTENANCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents		\$22,645
Total assets		<u>\$22,645</u>
<u>Liabilities and fund balance</u>		
Fund balance:		
Unreserved, undesignated		\$22,645
Total liabilities and fund balance		<u>\$22,645</u>

LAYTON CITY CORPORATION

STREETSCAPE MAINTENANCE FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the year ended June 30, 2006

(with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Charges for services:					
Maintenance fees					\$400
Total revenues					400
<u>Other financing uses</u>					
Transfers out		\$22,645	\$22,645		
Total other financing uses		22,645	22,645		
Net change in fund balance		(22,645)	(22,645)		400
Fund balance - beginning	\$22,645	22,645	22,645		22,245
Fund balance - ending	\$22,645				\$22,645

LAYTON CITY CORPORATION

LOCAL LAW ENFORCEMENT BLOCK GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents		\$20,566
Total assets		<u>\$20,566</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Unearned revenue		\$20,566
Total liabilities and fund balance		<u>\$20,566</u>

LAYTON CITY CORPORATION

LOCAL LAW ENFORCEMENT BLOCK GRANT FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

For the year ended June 30, 2006
 (with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Intergovernmental:					
LLE block grant		\$20,566	\$20,566		\$22,420
Miscellaneous:					
Interest					90
Total revenues		20,566	20,566		22,510
<u>Other financing uses</u>					
Transfers out		20,566	20,566		22,510
Total other financing uses		20,566	20,566		22,510
Net change in fund balance					
Fund balance - beginning					
Fund balance - ending					

LAYTON CITY CORPORATION

REDEVELOPMENT AGENCY FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$81,040	\$3,662
Receivables - taxes	101,829	75,546
Due from other funds	893	893
Total assets	<u>\$183,762</u>	<u>\$80,101</u>
<u>Liabilities and fund balance</u>		
Deferred revenue	\$101,829	\$75,546
Fund balance:		
Unreserved, undesignated	<u>81,933</u>	<u>4,555</u>
Total liabilities and fund balance	<u>\$183,762</u>	<u>\$80,101</u>

LAYTON CITY CORPORATION

REDEVELOPMENT AGENCY FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

(with comparative actual amounts for the year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Property taxes - development increment	\$26,575	\$26,575	\$76,508	\$49,933	
Miscellaneous - interest			870	870	
Total revenues	26,575	26,575	77,378	50,803	
<u>Expenditures</u>					
Current:					
Community and economic development:					
Material and supplies	1,575	1,575		1,575	
Total expenditures	1,575	1,575		1,575	
Net change in fund balance	25,000	25,000	77,378	52,378	
Fund balance - beginning	4,555	4,555	4,555		\$4,555
Fund balance - ending	\$29,555	\$29,555	\$81,933	\$52,378	\$4,555

LAYTON CITY CORPORATION

LAYTON CITY DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$618,708	\$45,314
Receivables - taxes	28,375	7,425
Cash and cash equivalents - restricted	811,225	803,393
Total assets	<u>\$1,458,308</u>	<u>\$856,132</u>
<u>Liabilities and fund balance</u>		
Fund balance:		
Reserved	\$811,225	\$803,393
Unreserved		
Designated for debt reserve	559,000	
Undesignated	88,083	52,739
Total liabilities and fund balance	<u>\$1,458,308</u>	<u>\$856,132</u>

LAYTON CITY CORPORATION

LAYTON CITY DEBT SERVICE FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

(with comparative totals for the year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Taxes and special assessments:					
Transient room taxes	\$103,000	\$103,000	\$143,669	\$40,669	\$86,353
Miscellaneous:					
Lease	376,668	376,668	376,668		376,668
Interest	6,000	6,000	23,328	17,328	12,968
Total revenues	<u>485,668</u>	<u>485,668</u>	<u>543,665</u>	<u>57,997</u>	<u>475,989</u>
<u>Expenditures</u>					
Debt service:					
Principal	923,000	923,000	937,821	(14,821)	910,855
Interest	94,228	94,228	94,228		113,313
Total expenditures	<u>1,017,228</u>	<u>1,017,228</u>	<u>1,032,049</u>	<u>(14,821)</u>	<u>1,024,168</u>
Deficiency of revenues under expenditures	<u>(531,560)</u>	<u>(531,560)</u>	<u>(488,384)</u>	<u>43,176</u>	<u>(548,179)</u>
<u>Other financing sources (uses)</u>					
Transfers in:					
General fund	1,090,560	1,090,560	1,090,560		422,496
Total other financing sources and uses	<u>1,090,560</u>	<u>1,090,560</u>	<u>1,090,560</u>		<u>422,496</u>
Net change in fund balance	559,000	559,000	602,176	43,176	(125,683)
Fund balance - beginning	856,132	856,132	856,132		981,815
Fund balance - ending	<u>\$1,415,132</u>	<u>\$1,415,132</u>	<u>\$1,458,308</u>	<u>\$43,176</u>	<u>\$856,132</u>

LAYTON CITY CORPORATION

LAYTON CITY CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Cash and cash equivalents	\$2,868,110	\$1,665,413
Receivables - grants	97,398	
Due from redevelopment agency fund		312,329
Total assets	<u>\$2,965,508</u>	<u>\$1,977,742</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Accounts payable	\$311,095	\$201,136
Total liabilities	<u>311,095</u>	<u>201,136</u>
Fund balance:		
Reserved for:		
Class c roads	78,351	566,054
Street construction - transportation impact fees	774,945	559,814
Park development - park impact fees	250,188	18,914
Total reserved	<u>1,103,484</u>	<u>1,144,782</u>
Unreserved:		
Designated for capital projects	1,512,910	590,567
Undesignated	38,019	41,257
Total unreserved	<u>1,550,929</u>	<u>631,824</u>
Total fund balance	<u>2,654,413</u>	<u>1,776,606</u>
Total liabilities and fund balance	<u>\$2,965,508</u>	<u>\$1,977,742</u>

LAYTON CITY CORPORATION

LAYTON CITY CAPITAL PROJECTS FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

For the year ended June 30, 2006
 (with comparative actual amounts for year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Revenues</u>					
Intergovernmental:					
Grants	\$363,000	\$363,000	\$204,351	(\$158,649)	
Total revenues	363,000	363,000	204,351	(158,649)	
<u>Expenditures</u>					
Capital outlay	5,341,712	4,827,329	2,192,161	2,635,168	\$3,395,568
Total expenditures	5,341,712	4,827,329	2,192,161	2,635,168	3,395,568
Deficiency of revenues under expenditures	(4,978,712)	(4,464,329)	(1,987,810)	2,476,519	(3,395,568)
<u>Other financing sources (uses)</u>					
Transfers in:					
Impact fee fund	900,000	900,000	900,000		1,060,000
Water fund		50,000	50,000		
Streetscape maintenance fund		22,585	22,585		
General fund - class c roads	900,000	900,000	900,000		
General fund - other	1,580,000	1,593,032	1,593,032		2,782,390
Total transfers in	3,380,000	3,465,617	3,465,617		3,842,390
Transfers out:					
Water fund					(60,000)
Storm Sewer fund		(600,000)	(600,000)		
Total other financing sources and uses	3,380,000	2,865,617	2,865,617		3,782,390
Net change in fund balance	(1,598,712)	(1,598,712)	877,807	2,476,519	386,822
Fund balance - beginning	1,776,606	1,776,606	1,776,606		1,389,784
Fund balance - ending	\$177,894	\$177,894	\$2,654,413	\$2,476,519	\$1,776,606

LAYTON CITY CORPORATION

REDEVELOPMENT AGENCY CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Total assets		
<u>Liabilities and fund balance</u>		
Liabilities:		
Due to other funds	\$313,222	\$313,222
Fund deficit	(313,222)	(313,222)
Total liabilities and fund balance		

LAYTON CITY CORPORATION

REDEVELOPMENT AGENCY CAPITAL PROJECT FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

For the year ended June 30, 2006
 (with comparative actual amounts for the year ended June 30, 2005)

	2006			Variance With Final Budget - Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<u>Expenditures</u>					
Capital outlay					\$51,797
Net change in fund balance					(51,797)
Fund deficit - beginning	(\$313,222)	(\$313,222)	(\$313,222)		(261,425)
Fund deficit - ending	(\$313,222)	(\$313,222)	(\$313,222)		(\$313,222)

LAYTON CITY CORPORATION

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2006

	Swimming Pool	Emergency Medical Services	Athletic Programs	Total Nonmajor Proprietary Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$236,254	\$216,309	\$36,390	\$488,953
Accounts receivable, net		222,245		222,245
Inventory	4,219			4,219
Total current assets	240,473	438,554	36,390	715,417
Noncurrent assets:				
Capital assets:				
Land	1,000			1,000
Buildings	2,218,732			2,218,732
Improvements other than buildings	20,112			20,112
Equipment	632,698	878,626		1,511,324
Less: accumulated depreciation	(2,127,897)	(582,632)		(2,710,529)
Total noncurrent assets	744,645	295,994		1,040,639
Total assets	985,118	734,548	36,390	1,756,056
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	42,292	15,796	11,144	69,232
Accrued liabilities	17,763	30,954	2,106	50,823
Payable to other governments		3,926		3,926
Total current liabilities	60,055	50,676	13,250	123,981
Noncurrent liabilities:				
Compensated absences payable	11,828	111,787		123,615
Total liabilities	71,883	162,463	13,250	247,596
<u>Net assets</u>				
Invested in capital assets, net of related debt	744,645	295,994		1,040,639
Unrestricted	168,590	276,091	23,140	467,821
Total net assets	\$913,235	\$572,085	\$23,140	\$1,508,460

LAYTON CITY CORPORATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 For the year ended June 30, 2006

	Swimming Pool	Emergency Medical Services	Athletic Programs	Total Nonmajor Proprietary Funds
<u>Operating revenues</u>				
Charges for services	\$376,859	\$1,079,921	\$259,810	\$1,716,590
Miscellaneous	86,423	30,925		117,348
Total operating revenues	463,282	1,110,846	259,810	1,833,938
<u>Operating expenses</u>				
Salaries, wages and benefits	310,116	1,260,924	86,215	1,657,255
Supplies and maintenance	401,404	135,056	172,147	708,607
Utilities	224,961	6,448		231,409
Professional services and training	3,314	50,016		53,330
Insurance	12,874	16,711		29,585
Bad debt collection fees		12,678		12,678
Depreciation	89,144	89,747		178,891
Total operating expenses	1,041,813	1,571,580	258,362	2,871,755
Operating income (loss)	(578,531)	(460,734)	1,448	(1,037,817)
<u>Nonoperating revenues</u>				
Interest		8,354		8,354
Grants		524,860		524,860
Total nonoperating revenues		533,214		533,214
Income (loss) before transfers	(578,531)	72,480	1,448	(504,603)
Transfers in	448,000			448,000
Change in net assets	(130,531)	72,480	1,448	(56,603)
Total net assets - beginning	1,043,766	499,605	21,692	1,565,063
Total net assets - ending	\$913,235	\$572,085	\$23,140	\$1,508,460

LAYTON CITY CORPORATION

COMBINING STATEMENT OF CASH FLOWS NONMAJOR PROPRIETARY FUNDS For the year ended June 30, 2006

	Swimming Pool	Emergency Medical Services	Athletic Programs	Total Nonmajor Proprietary Funds
<u>Cash flow from operating activities</u>				
Receipts from customers	\$403,718	\$1,025,788	\$259,810	\$1,689,316
Receipts from interfund services provided	59,564			59,564
Payments to suppliers	(551,597)	(191,639)	(176,737)	(919,973)
Payments for interfund services used	(68,061)	(2,120)		(70,181)
Payments to other governments		(20,233)		(20,233)
Payments to employees	(309,394)	(1,235,241)	(87,256)	(1,631,891)
Net cash provided (used) by operating activities	<u>(465,770)</u>	<u>(423,445)</u>	<u>(4,183)</u>	<u>(893,398)</u>
<u>Cash flow from non-capital financing activities</u>				
Transfers from general fund	448,000			448,000
County, state and federal grants		524,860		524,860
Net cash provided by non-capital financing activities	<u>448,000</u>	<u>524,860</u>		<u>972,860</u>
<u>Cash flow from investing activities</u>				
Interest earned on investments		8,354		8,354
Net cash provided by investing activities		<u>8,354</u>		<u>8,354</u>
Net increase (decrease) in cash and cash equivalents	(17,770)	109,769	(4,183)	87,816
Cash and cash equivalents at beginning of year	254,024	106,540	40,573	401,137
Cash and cash equivalents at end of year	<u>\$236,254</u>	<u>\$216,309</u>	<u>\$36,390</u>	<u>\$488,953</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$578,531)	(\$460,734)	\$1,448	(\$1,037,817)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	89,144	89,747		178,891
(Increase) in accounts receivable		(85,058)		(85,058)
(Decrease) in inventories	(1,261)			(1,261)
Increase (decrease) in accounts payable	24,156	7,535	(1,041)	30,650
Increase (decrease) in accrued liabilities	1,905	6,236	(4,590)	3,551
Increase (decrease) in compensated absences	(1,183)	19,447		18,264
Increase (decrease) in amounts due to other governmental units		(618)		(618)
Total adjustments	<u>112,761</u>	<u>37,289</u>	<u>(5,631)</u>	<u>144,419</u>
Net cash provided (used) by operating activities	<u>(\$465,770)</u>	<u>(\$423,445)</u>	<u>(\$4,183)</u>	<u>(\$893,398)</u>

LAYTON CITY CORPORATION

WATER FUND COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$827,788	\$812,991
Accounts receivable, net	1,128,941	931,611
Prepaid expense	536,943	499,428
Total current assets	<u>2,493,672</u>	<u>2,244,030</u>
Noncurrent assets:		
Deferred charges	44,318	50,650
Investment in water stocks and rights	<u>296,521</u>	<u>68,071</u>
Capital assets:		
Land	355,819	355,819
Improvements other than buildings	397,467	397,467
Distribution system	34,638,348	33,907,954
Equipment	1,486,160	1,465,171
Construction in progress	1,695,529	1,573,505
Less: accumulated depreciation	<u>(10,549,176)</u>	<u>(9,811,772)</u>
Total capital assets (net of accumulated depreciation)	<u>28,024,147</u>	<u>27,888,144</u>
Total noncurrent assets	<u>28,364,986</u>	<u>28,006,865</u>
Total assets	<u>30,858,658</u>	<u>30,250,895</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	65,515	61,444
Accrued liabilities	27,268	36,954
Customer deposits	1,625	1,050
Accrued bond interest payable	33,546	34,773
Bonds payable	295,000	280,000
Total current liabilities	<u>422,954</u>	<u>414,221</u>
Noncurrent liabilities:		
Compensated absences payable	81,401	120,350
Due to sewer fund	600,000	600,000
Bonds payable	2,275,000	2,570,000
Total noncurrent liabilities	<u>2,956,401</u>	<u>3,290,350</u>
Total liabilities	<u>3,379,355</u>	<u>3,704,571</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	25,454,147	25,038,144
Unrestricted	<u>2,025,156</u>	<u>1,508,180</u>
Total net assets	<u>\$27,479,303</u>	<u>\$26,546,324</u>

LAYTON CITY CORPORATION

WATER FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<u>Operating revenues</u>		
Charges for services	\$4,619,046	\$4,040,460
Miscellaneous	3,863	21,327
Total operating revenues	<u>4,622,909</u>	<u>4,061,787</u>
<u>Operating expenses</u>		
Salaries wages and benefits	822,720	980,778
Supplies and maintenance	788,520	485,394
Utilities	401,907	484,159
Professional services and training	12,389	15,466
Water purchases	1,043,353	973,287
Insurance	27,018	76,095
Rent	64,122	64,116
Franchise tax	269,802	155,076
Bad debt collection fees	1,594	966
Depreciation	737,402	774,194
Total operating expenses	<u>4,168,827</u>	<u>4,009,531</u>
Operating income	<u>454,082</u>	<u>52,256</u>
<u>Nonoperating revenues (expenses)</u>		
Interest revenue	31,585	24,988
Connection charges	42,908	59,839
Impact fees	493,830	385,130
Exaction fees	241,867	12,714
Grant - infrastructure protection	47,142	
Bond issuance costs	(6,331)	(6,331)
Interest expense	(98,962)	(102,743)
Gain on sale capital assets		4,100
Total nonoperating revenues (expenses)	<u>752,039</u>	<u>377,697</u>
Income before contributions and transfers	1,206,121	429,953
Transfers in	2,200	(66,048)
Transfers out	(590,712)	60,000
Capital contributions	315,370	307,046
Change in net assets	932,979	730,951
Total net assets - beginning	<u>26,546,324</u>	<u>25,815,373</u>
Total net assets - ending	<u>\$27,479,303</u>	<u>\$26,546,324</u>

LAYTON CITY CORPORATION

STORM SEWER FUND
COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$1,285,091	\$2,074,475
Accounts receivable, net	233,700	232,120
Total current assets	1,518,791	2,306,595
Noncurrent assets:		
Capital assets:		
Land	98,926	98,926
Collection system	28,640,335	27,426,681
Equipment	223,906	200,214
Construction in progress	3,871,863	756,461
Less accumulated depreciation	(8,464,305)	(7,905,802)
Total noncurrent assets	24,370,725	20,576,480
Total assets	25,889,516	22,883,075
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	767,818	183,356
Accrued liabilities	8,408	3,918
Total current liabilities	776,226	187,274
Noncurrent liabilities:		
Compensated absences payable	13,404	18,349
Total liabilities	789,630	205,623
<u>Net assets</u>		
Invested in capital assets, net of related debt	24,370,725	20,576,480
Restricted for increased system development	570,768	817,187
Unrestricted	158,393	1,283,785
Total net assets	\$25,099,886	\$22,677,452

LAYTON CITY CORPORATION

STORM SEWER FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<u>Operating revenues</u>		
Charges for services	\$1,605,186	\$1,577,321
Miscellaneous	25,076	
Total operating revenues	<u>1,630,262</u>	<u>1,577,321</u>
<u>Operating expenses</u>		
Salaries, wages and benefits	295,199	171,636
Supplies and maintenance	1,314,772	270,707
Utilities	4,814	3,576
Professional services and training	6,700	13,349
Insurance	13,543	14,027
Rent	28,499	28,488
Franchise tax	91,506	46,152
Bad debt collection fees	710	966
Depreciation	558,504	512,476
Total operating expenses	<u>2,314,247</u>	<u>1,061,377</u>
Operating income (loss)	<u>(683,985)</u>	<u>515,944</u>
<u>Nonoperating revenues</u>		
Interest	68,458	43,283
Impact fees	514,551	534,632
Total nonoperating revenues	<u>583,009</u>	<u>577,915</u>
Income (loss) before contributions and transfers	(100,976)	1,093,859
Capital contributions	463,811	679,302
Transfers in	2,112,769	232,000
Transfers out	(53,170)	(46,440)
Change in net assets	2,422,434	1,958,721
Total net assets - beginning	<u>22,677,452</u>	<u>20,718,731</u>
Total net assets - ending	<u><u>\$25,099,886</u></u>	<u><u>\$22,677,452</u></u>

LAYTON CITY CORPORATION

SEWER FUND COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$1,487,660	\$1,724,516
Accounts receivable, net	584,170	517,524
Total current assets	2,071,830	2,242,040
Noncurrent assets:		
Special assessments receivable		1,418
Due from water fund	600,000	600,000
Capital assets:		
Collection system	12,050,805	11,819,229
Equipment	717,061	717,061
Construction in progress	481,279	30,606
Less accumulated depreciation	(3,546,781)	(3,229,800)
Total capital assets (net of accumulated depreciation)	9,702,364	9,337,096
Total noncurrent assets	10,302,364	9,938,514
Total assets	12,374,194	12,180,554
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	150,359	252,382
Accrued liabilities	6,639	6,538
Payable to other governments	66,389	43,500
Total current liabilities	223,387	302,420
Noncurrent liabilities:		
Compensated absences payable	19,104	12,583
Total liabilities	242,491	315,003
<u>Net assets</u>		
Invested in capital assets, net of related debt	9,702,364	9,337,096
Unrestricted	2,429,339	2,528,455
Total net assets	\$12,131,703	\$11,865,551

LAYTON CITY CORPORATION

SEWER FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<u>Operating revenues</u>		
Charges for services	\$3,279,719	\$2,700,176
Miscellaneous	13,460	7,558
Total operating revenues	<u>3,293,179</u>	<u>2,707,734</u>
<u>Operating expenses</u>		
Salaries, wages and benefits	711,217	611,358
Supplies and maintenance	285,235	254,115
Utilities	5,123	6,337
Professional services and training	2,361	10,234
Sewage disposal contract	1,708,800	1,680,651
Insurance	32,030	35,493
Rent	42,749	42,744
Franchise tax	160,998	105,108
Bad debt collection fees	710	965
Depreciation	316,982	276,981
Total operating expenses	<u>3,266,205</u>	<u>3,023,986</u>
Operating income (loss)	<u>26,974</u>	<u>(316,252)</u>
<u>Nonoperating revenues</u>		
Interest	94,366	69,024
Total nonoperating revenues	<u>94,366</u>	<u>69,024</u>
Income (loss) before contributions and transfers	121,340	(247,228)
Transfers out	(24,106)	(25,104)
Transfers in	4,350	
Capital contributions	164,568	296,080
Change in net assets	266,152	23,748
Total net assets - beginning	<u>11,865,551</u>	<u>11,841,803</u>
Total net assets - ending	<u><u>\$12,131,703</u></u>	<u><u>\$11,865,551</u></u>

LAYTON CITY CORPORATION

REFUSE FUND
COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<hr/>		
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$254,831	\$57,110
Accounts receivable, net	515,747	507,248
	<hr/>	<hr/>
Total assets	770,578	564,358
	<hr/>	<hr/>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	217,175	225,306
	<hr/>	<hr/>
Total liabilities	217,175	225,306
	<hr/>	<hr/>
<u>Net assets</u>		
Unrestricted	553,403	339,052
	<hr/>	<hr/>
Total net assets	\$553,403	\$339,052
	<hr/>	<hr/>

LAYTON CITY CORPORATION

REFUSE FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<hr/>		
<u>Operating revenues</u>		
Charges for services	\$2,976,571	\$2,890,622
Total operating revenues	<u>2,976,571</u>	<u>2,890,622</u>
<u>Operating expenses</u>		
Salaries, wages and benefits	56,941	49,694
Supplies and maintenance	32,215	35,792
Utilities	3,543	3,756
Refuse collection and disposal contracts	2,658,317	2,672,891
Insurance	3,369	2,657
Rent	7,125	7,116
Bad debt collection fees	710	966
Total operating expenses	<u>2,762,220</u>	<u>2,772,872</u>
Change in net assets	214,351	117,750
Total net assets - beginning	<u>339,052</u>	<u>221,302</u>
Total net assets - ending	<u><u>\$553,403</u></u>	<u><u>\$339,052</u></u>

LAYTON CITY CORPORATION

SWIMMING POOL FUND COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$236,254	\$254,024
Inventory	4,219	2,958
Total current assets	<u>240,473</u>	<u>256,982</u>
Noncurrent assets:		
Capital assets:		
Land	1,000	1,000
Buildings	2,218,732	2,218,732
Improvements other than buildings	20,112	20,112
Equipment	632,698	632,698
Less accumulated depreciation	<u>(2,127,897)</u>	<u>(2,038,753)</u>
Total noncurrent assets	<u>744,645</u>	<u>833,789</u>
Total assets	<u>985,118</u>	<u>1,090,771</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	42,292	18,136
Accrued liabilities	<u>17,763</u>	<u>15,858</u>
Total current liabilities	<u>60,055</u>	<u>33,994</u>
Noncurrent liabilities:		
Compensated absences payable	<u>11,828</u>	<u>13,011</u>
Total liabilities	<u>71,883</u>	<u>47,005</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	744,645	833,789
Unrestricted	<u>168,590</u>	<u>209,977</u>
Total net assets	<u>\$913,235</u>	<u>\$1,043,766</u>

LAYTON CITY CORPORATION

SWIMMING POOL FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<u>Operating revenues</u>		
Charges for services	\$376,859	\$405,075
Miscellaneous	86,423	59,711
Total operating revenues	<u>463,282</u>	<u>464,786</u>
<u>Operating expenses</u>		
Salaries, wages and benefits	310,116	322,239
Supplies and maintenance	401,404	172,515
Utilities	224,961	178,615
Professional services and training	3,314	2,941
Insurance	12,874	7,111
Depreciation	89,144	76,811
Total operating expenses	<u>1,041,813</u>	<u>760,232</u>
Operating loss	(578,531)	(295,446)
Capital contributions		282,380
Transfers in	448,000	218,955
Change in net assets	(130,531)	205,889
Total net assets - beginning	<u>1,043,766</u>	<u>837,877</u>
Total net assets - ending	<u>\$913,235</u>	<u>\$1,043,766</u>

LAYTON CITY CORPORATION

EMERGENCY MEDICAL SERVICES FUND
COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$216,309	\$106,540
Accounts receivable, net	222,245	137,187
Total current assets	438,554	243,727
Noncurrent assets:		
Equipment	878,626	878,626
Less accumulated depreciation	(582,632)	(492,885)
Total noncurrent assets	295,994	385,741
Total assets	734,548	629,468
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	15,796	8,261
Accrued liabilities	30,954	24,718
Payable to other governments	3,926	4,544
Total current liabilities	50,676	37,523
Noncurrent liabilities:		
Compensated absences payable	111,787	92,340
Total liabilities	162,463	129,863
<u>Net assets</u>		
Invested in capital assets, net of related debt	295,994	385,741
Unrestricted	276,091	113,864
Total net assets	\$572,085	\$499,605

LAYTON CITY CORPORATION

EMERGENCY MEDICAL SERVICES FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<u>Operating revenues</u>		
Charges for services	\$1,079,921	\$949,863
Miscellaneous	30,925	23,025
Total operating revenues	<u>1,110,846</u>	<u>972,888</u>
<u>Operating expenses</u>		
Salaries, wages and benefits	1,260,924	896,267
Supplies and maintenance	135,056	112,519
Utilities	6,448	6,237
Professional services and training	50,016	68,233
Insurance	16,711	9,094
Bad debt collection fees	12,678	9,920
Depreciation	89,747	65,397
Total operating expenses	<u>1,571,580</u>	<u>1,167,667</u>
Operating loss	<u>(460,734)</u>	<u>(194,779)</u>
<u>Nonoperating revenues</u>		
Interest	8,354	1,236
Grant proceeds	524,860	47,015
Gain from sale of capital assets		30,727
Total nonoperating revenues	<u>533,214</u>	<u>78,978</u>
Income (loss) before transfers	72,480	(115,801)
Transfers in		<u>242,272</u>
Change in net assets	72,480	126,471
Total net assets - beginning	<u>499,605</u>	<u>373,134</u>
Total net assets - ending	<u>\$572,085</u>	<u>\$499,605</u>

LAYTON CITY CORPORATION

ATHLETIC PROGRAMS FUND
COMPARATIVE SCHEDULE OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<hr/>		
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$36,390	\$40,573
	<hr/>	<hr/>
Total assets	36,390	40,573
	<hr/>	<hr/>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	11,144	12,185
Accrued liabilities	2,106	6,696
	<hr/>	<hr/>
Total liabilities	13,250	18,881
	<hr/>	<hr/>
<u>Net assets</u>		
Unrestricted	23,140	21,692
	<hr/>	<hr/>
Total net assets	\$23,140	\$21,692
	<hr/>	<hr/>

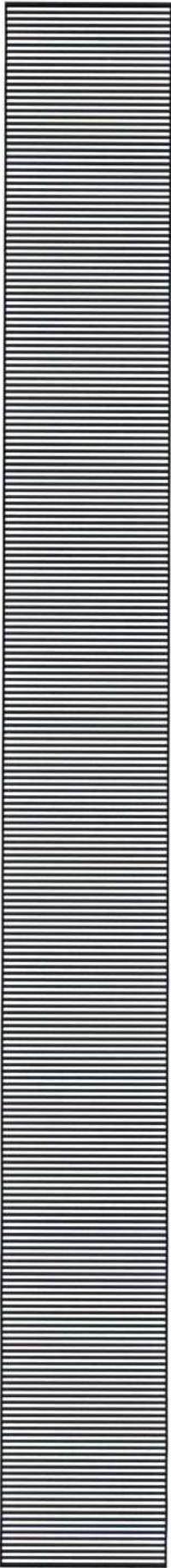
LAYTON CITY CORPORATION

ATHLETIC PROGRAMS FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the years ended June 30, 2006 and 2005

	2006	2005
<hr/>		
<u>Operating revenues</u>		
Charges for services	\$259,810	\$234,951
Total operating revenues	259,810	234,951
<hr/>		
<u>Operating expenses</u>		
Salaries, wages and benefits	86,215	77,660
Supplies and maintenance	172,147	146,512
Total operating expenses	258,362	224,172
Change in net assets	1,448	10,779
Total net assets - beginning	21,692	10,913
Total net assets - ending	\$23,140	\$21,692



Layton City Corporation

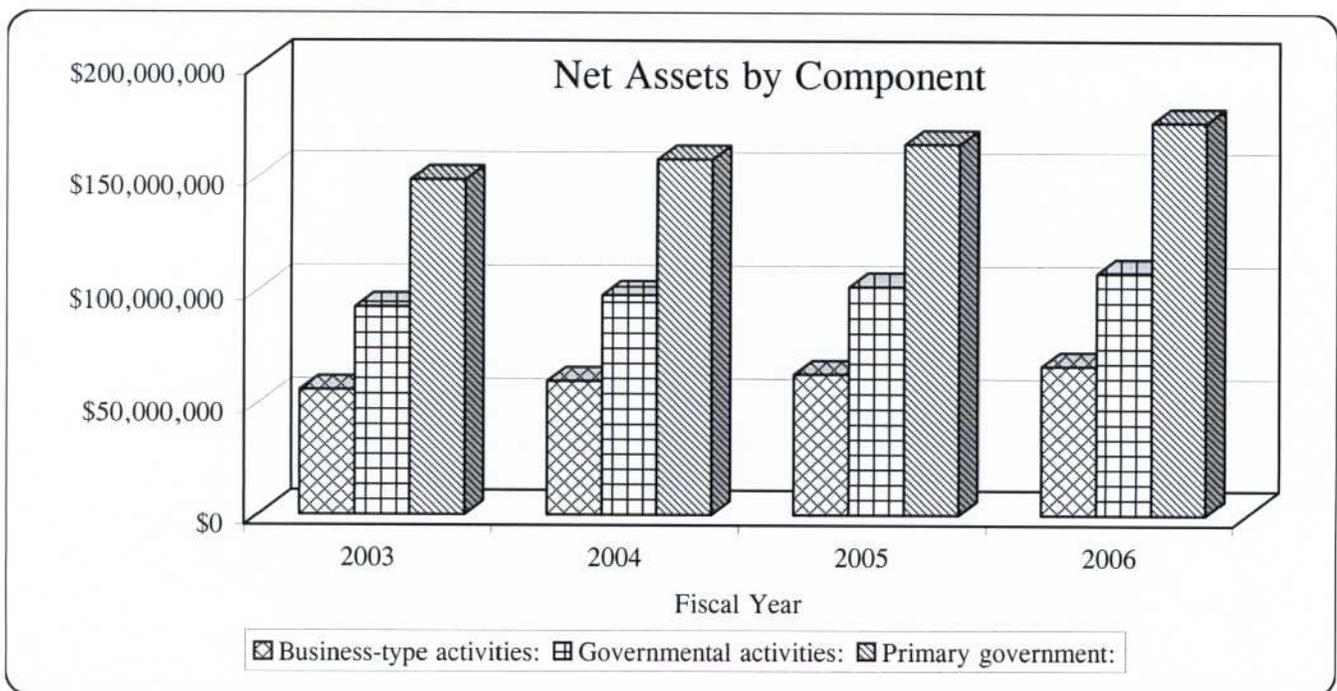
Statistical Section

LAYTON CITY CORPORATION

NET ASSETS BY COMPONENT LAST FOUR FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
<u>Governmental activities:</u>				
Invested in capital assets, net of related debt	\$78,095,729	\$86,414,134	\$90,490,645	\$93,559,295
Restricted	4,422,323	1,836,363	2,513,901	2,856,374
Unrestricted	10,222,773	9,688,485	8,759,763	11,500,801
Total governmental activities net assets	\$92,740,825	\$97,938,982	\$101,764,309	\$107,916,470
<u>Business-type activities:</u>				
Invested in capital assets, net of related debt	\$48,645,667	\$51,882,029	\$56,171,250	\$60,567,875
Restricted	764,215	836,523	817,187	570,768
Unrestricted	6,477,170	7,100,581	6,005,005	5,634,112
Total business-type activities net assets	\$55,887,052	\$59,819,133	\$62,993,442	\$66,772,755
<u>Primary government:</u>				
Invested in capital assets, net of related debt	\$126,741,396	\$138,296,163	\$146,661,895	\$154,127,170
Restricted	5,186,538	2,672,886	3,331,088	3,427,142
Unrestricted	16,699,943	16,789,066	14,764,768	17,134,913
Total primary government net assets	\$148,627,877	\$157,758,115	\$164,757,751	\$174,689,225

Note: Information not available for years prior to 2003 when the City implemented the reporting model under GASB statement 34



LAYTON CITY CORPORATION

CHANGE IN NET ASSETS LAST FOUR FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
<u>Expenses</u>				
Government activities:				
General government	\$3,633,690	\$3,679,261	\$3,694,412	\$4,033,135
Public safety	9,809,221	10,214,826	11,235,734	12,194,098
Community and economic development	1,688,982	2,286,924	1,629,579	1,586,358
Streets and public improvements	4,771,631	4,611,460	5,333,694	4,838,064
Parks and recreation	2,176,974	2,397,813	4,019,278	2,998,905
Interest on long-term debt	325,465	138,844	88,718	69,351
Total governmental activities expenses	22,405,963	23,329,128	26,001,415	25,719,911
Business-type activities:				
Water	3,688,180	3,737,566	4,114,505	4,274,120
Storm sewer	832,191	1,167,092	1,061,377	2,314,247
Sewer	2,788,192	2,997,102	3,023,986	3,266,205
Refuse	2,930,962	2,932,868	2,772,872	2,762,220
Swimming pool	844,941	735,506	760,232	1,041,813
Emergency medical services	1,151,347	1,179,267	1,136,940	1,571,580
Athletic programs	193,568	229,192	224,172	258,362
Total business-type activities expenses	12,429,381	12,978,593	13,094,084	15,488,547
Total primary government expenses	\$34,835,344	\$36,307,721	\$39,095,499	\$41,208,458
<u>Program Revenues</u>				
Governmental activities:				
Charges for services	\$4,325,641	\$3,926,993	\$3,631,115	\$3,049,792
Operating grants and contributions	2,694,111	2,931,780	3,039,151	2,689,059
Capital grants and contributions		3,973,179	3,302,679	4,439,061
Total governmental activities program revenues	7,019,752	10,831,952	9,972,945	10,177,912
Business-type activities:				
Charges for services	12,941,771	14,296,059	12,982,642	14,399,767
Operating grants and contributions	19,287	21,579	47,015	1,822,250
Capital grants and contributions	760,927	2,216,025	2,484,570	943,749
Total business-type activities program revenues	13,721,985	16,533,663	15,514,227	17,165,766
Total primary government program revenues	\$20,741,737	\$27,365,615	\$25,487,172	\$27,343,678
<u>Net (expense) revenue</u>				
Governmental activities	(\$15,386,211)	(\$12,497,176)	(\$16,028,470)	(\$15,541,999)
Business-type activities	1,292,604	3,555,070	2,420,143	1,677,219
Total primary government net expense	(\$14,093,607)	(\$8,942,106)	(\$13,608,327)	(\$13,864,780)

LAYTON CITY CORPORATION

CHANGE IN NET ASSETS (CONTINUED) LAST FOUR FISCAL YEARS

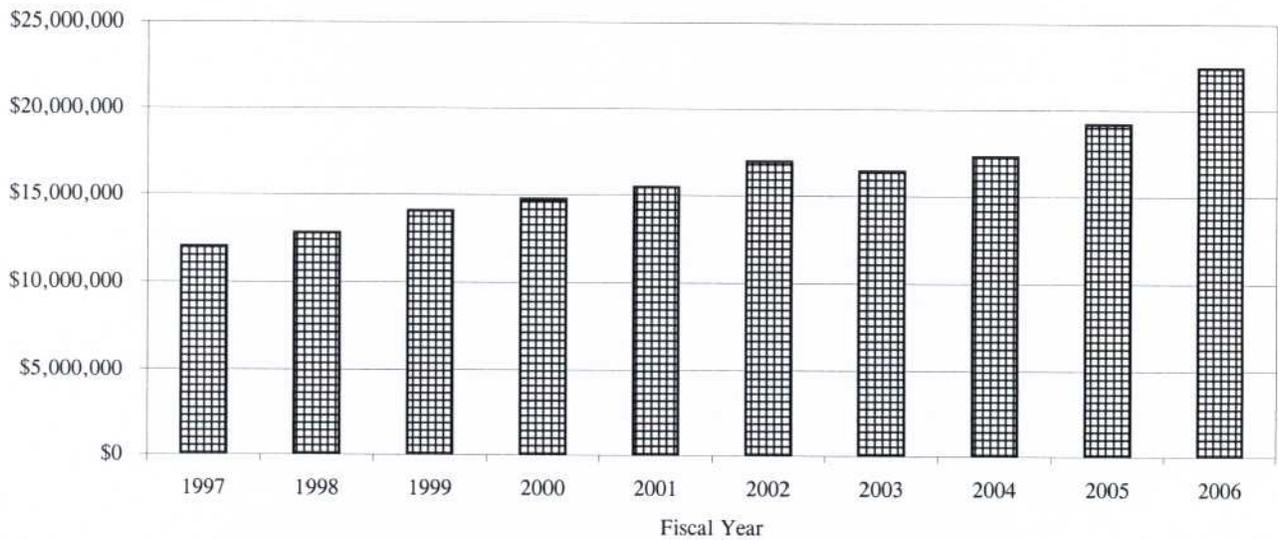
	Fiscal Year			
	2003	2004	2005	2006
<u>General Revenues and Other Changes in Net Assets</u>				
Governmental activities:				
Property and uniform vehicle taxes	\$5,572,045	\$5,667,421	\$6,039,137	\$6,438,364
Sales and use taxes	9,171,502	9,597,455	10,369,287	11,293,832
Franchise, telecommunication and energy sales taxes	1,975,084	2,138,152	3,218,368	4,768,830
Transient room tax		48,979	86,353	143,669
Investment earnings	214,290	111,153	141,952	315,545
Miscellaneous	420,559	377,198	574,484	463,760
Gain (loss) on sale of capital assets	(1,507,422)		39,851	169,491
Transfers	(16,679,181)	(245,025)	(615,635)	(1,899,331)
Total governmental activities	(833,123)	17,695,333	19,853,797	21,694,160
Business-type activities:				
Investment earnings	125,617	131,986	138,531	202,763
Gain (loss) on sale of capital assets	(750,182)			
Transfers	16,679,181	245,025	615,635	1,899,331
Total business-type activities	16,054,616	377,011	754,166	2,102,094
Total primary government	\$15,221,493	\$18,072,344	\$20,607,963	\$23,796,254
<u>Change in Net Assets</u>				
Governmental activities	(\$16,219,334)	\$5,198,157	\$3,825,327	\$6,152,161
Business-type activities	17,347,220	3,932,081	3,174,309	3,779,313
Total primary government	\$1,127,886	\$9,130,238	\$6,999,636	\$9,931,474

LAYTON CITY CORPORATION

GOVERNMENTAL ACTIVITIES TAXES AND SPECIAL ASSESSMENT REVENUES BY SOURCE LAST TEN FISCAL YEARS

Year	Property Tax	Uniform Vehicle Tax	Sales Tax	Franchise, Telecommunications and Energy Taxes	Transient Room Tax	Payments in Lieu and Special Assessments	Total Tax Revenues
1997	\$3,204,334	\$638,210	\$6,807,529	\$1,351,988		\$14,798	\$12,016,859
1998	3,458,583	647,626	7,186,556	1,490,996		13,444	12,797,205
1999	3,729,781	618,572	8,045,485	1,658,956		9,702	14,062,496
2000	3,857,700	668,355	8,671,209	1,559,271		6,697	14,763,232
2001	4,039,014	558,501	8,997,426	1,863,102		4,692	15,462,735
2002	4,413,934	642,530	9,993,773	1,919,837		5,990	16,976,064
2003	4,564,140	719,101	9,171,502	1,975,084		3,903	16,433,730
2004	4,820,801	688,173	9,597,455	2,138,152	\$48,979	2,537	17,296,097
2005	4,837,193	679,004	10,369,287	3,218,368	86,353	1,262	19,191,467
2006	5,541,424	693,127	11,293,832	4,768,830	143,669	434	22,441,316

Governmental Activities Taxes and Special Assessment Revenues

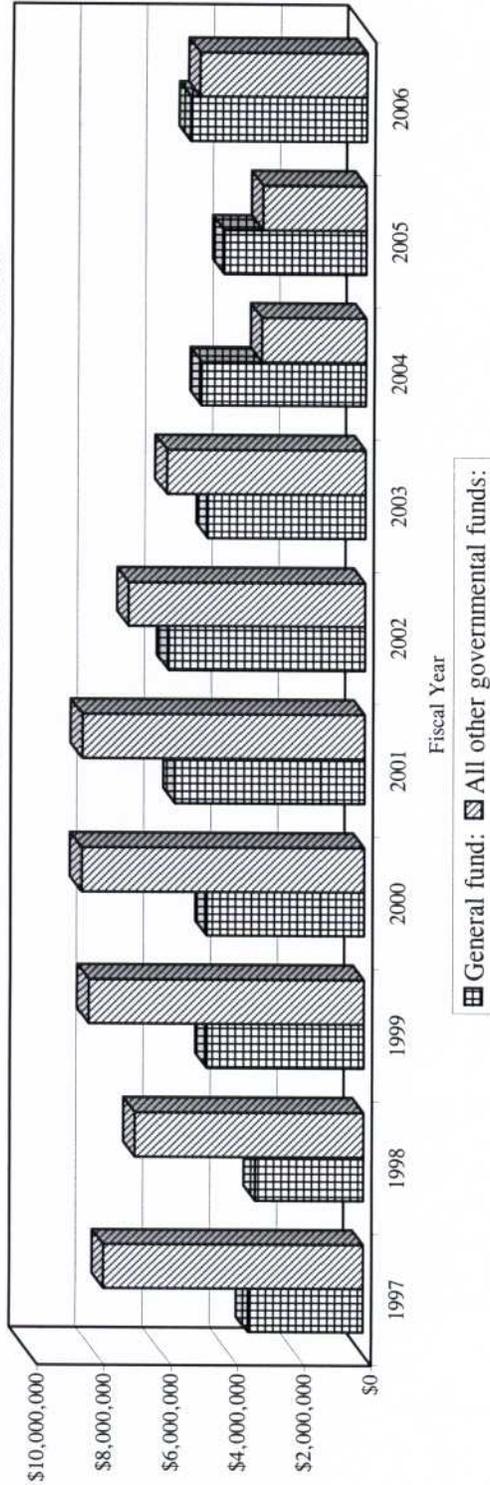


LAYTON CITY CORPORATION

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund:										
Reserved	\$801,646	\$991,504	\$1,464,409	\$2,398,138	\$2,224,878	\$1,238,001	\$940,568	\$1,329,980	\$200,730	\$773,049
Unreserved	2,660,479	2,266,143	3,246,658	2,318,755	3,468,286	4,649,598	3,793,030	3,609,551	4,063,440	4,510,141
Total general fund	\$3,462,125	\$3,257,647	\$4,711,067	\$4,716,893	\$5,693,164	\$5,887,599	\$4,733,598	\$4,939,531	\$4,264,170	\$5,283,190
All other governmental funds:										
Reserved	\$3,277,397	\$3,831,864	\$3,974,438	\$3,569,929	\$3,556,776	\$4,057,821	\$3,481,755	\$1,345,163	\$2,473,984	\$2,834,616
Unreserved, reported in:										
Special revenue funds	575,342	156,881	4,335	21,393	19,043	23,683	68,056	181,743	266,339	292,999
Debt Service Fund	1,914,981	1,525,670	1,507,805	1,431,538	1,296,907	1,123,365	937,718	981,815	52,739	647,083
Capital project funds	2,016,596	1,331,997	2,751,628	3,439,053	3,579,712	1,878,756	1,472,562	632,482	318,602	1,237,707
Total all other governmental funds	\$7,784,316	\$6,846,412	\$8,238,206	\$8,461,913	\$8,452,438	\$7,083,625	\$5,960,091	\$3,141,203	\$3,111,664	\$5,012,405

Fund Balances - General Fund and All Other Governmental Funds



LAYTON CITY CORPORATION

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes and special assessments	\$12,016,859	\$12,797,205	\$14,062,496	\$14,763,232	\$15,462,735	\$16,976,064	\$16,433,730	\$17,296,097	\$19,191,467	\$22,441,316
Licenses and permits	921,189	1,051,444	991,049	848,109	894,166	859,125	1,081,578	1,309,257	1,157,542	1,426,020
Intergovernmental	3,218,105	3,062,475	1,949,312	2,441,191	3,306,767	3,278,069	3,304,391	3,041,017	2,990,915	2,905,275
Charges for services	1,933,155	2,246,812	2,068,996	1,693,080	1,315,361	1,452,870	1,802,804	2,006,060	1,591,528	1,888,439
Fines and forfeitures	202,827	202,193	181,606	173,552	198,968	219,385	245,585	231,300	291,415	306,685
Miscellaneous	2,348,172	2,580,387	2,125,745	2,295,385	2,488,576	1,968,446	2,093,057	6,194,862	1,171,231	1,281,649
Total Revenues	20,640,307	21,940,516	21,379,204	22,214,549	23,666,573	24,753,959	24,961,145	30,078,593	26,394,098	30,249,384
Expenditures:										
General government	1,761,697	1,895,123	2,005,296	2,577,184	2,504,839	2,942,652	3,267,259	3,388,907	3,433,044	3,829,696
Public safety	5,426,063	5,854,256	6,523,193	7,652,012	7,819,083	8,346,538	8,743,364	10,111,842	10,975,749	11,342,115
Community and economic development	736,917	781,706	803,976	917,044	993,545	1,019,649	1,193,620	1,582,537	1,539,725	1,566,242
Streets and public improvements	2,256,809	2,611,379	2,424,734	2,625,238	3,266,398	3,494,132	3,108,946	2,965,941	3,623,479	3,079,014
Parks and recreation	1,312,707	1,556,292	1,586,973	1,878,337	1,859,136	1,989,659	2,217,709	2,377,633	2,544,165	2,596,696
Debt service										
Principal	435,000	455,000	470,000	495,000	510,000	540,000	565,000	5,760,000 (1)	910,855	937,821
Interest	464,845	446,848	427,607	407,282	384,391	361,095	335,847	218,363	113,313	94,228
Bond issuance costs	813,516	872,890						117,243		
Lease			690,173	757,371	816,083	807,721	806,488	5,308,538 (1)		
Capital outlay	5,466,635	7,996,743	3,096,015	4,126,476	4,166,226	5,439,584	4,345,115	5,518,925	3,447,365	2,192,161
Total Expenditures	18,674,189	22,470,237	18,027,967	21,435,944	22,319,701	24,941,030	24,583,348	37,349,929	26,587,695	25,637,973
Excess of revenues over (under) expenditures	1,966,118	(529,721)	3,351,237	778,605	1,346,872	(187,071)	377,797	(7,271,336)	(193,597)	4,611,411
Other financing sources (uses):										
Transfers in	5,563,658	5,298,798	5,111,007	5,467,551	4,041,634	4,940,198	3,793,170	4,259,143	4,595,608	5,268,343
Transfers out	(5,916,592)	(5,972,299)	(5,738,596)	(6,052,398)	(5,891,313)	(5,998,265)	(6,529,052)	(4,504,168)	(5,211,243)	(7,167,674)
Sale of capital assets			42,409					4,615,000	104,332	207,681
Sales tax and refunding bonds issued										
Bond issuance premium										159,891
Total Other Financing Sources (Uses)	(352,934)	(673,501)	(585,180)	(584,847)	(1,849,679)	(1,058,067)	(2,735,882)	4,529,866	(511,303)	(1,691,650)
Net change in fund balances	\$1,613,184	(\$1,203,222)	\$2,766,057	\$193,758	(\$502,807)	(\$1,245,138)	(\$2,358,085)	(\$2,741,470)	(\$704,900)	\$2,919,761

(1) The unusually high amount of debt service resulted from an early payoff of a lease purchase agreement by the city to the municipal building authority in the amount of \$5,308,538 and the authority retirement of lease revenue bonds in the amount of \$5,760,000

LAYTON CITY CORPORATION

TAXABLE SALES BY CATEGORY LAST TEN CALENDAR YEARS

	Calendar Year (amounts expressed in thousands)									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Building and garden	\$48,973	\$53,811	\$55,445	\$65,070	\$58,471	\$57,783	\$59,457	\$66,548	\$78,496	\$109,443
General merchandise	139,643	152,044	175,035	197,611	208,274	221,347	229,857	243,455	259,141	267,793
Food stores	88,637	86,224	78,335	79,630	80,578	79,027	78,954	73,875	75,229	82,612
Motor vehicle dealers	100,252	95,319	103,349	109,671	112,249	119,314	132,075	131,538	128,080	131,028
Apparel and accessory	14,772	16,540	28,391	33,573	39,363	37,580	37,006	38,070	39,168	40,224
Furniture	45,404	45,196	41,658	36,237	37,021	35,647	33,979	31,401	30,381	21,571
Eating and drinking	55,748	59,388	67,908	72,166	73,620	76,730	80,972	82,676	92,354	101,000
Miscellaneous sales	41,006	44,883	47,046	57,207	59,893	63,378	64,437	66,615	70,042	71,517
Hotel and lodging	2,660	4,876	6,010	7,234	8,543	7,394	12,037	10,370	10,614	11,782
Personal services	5,187	5,521	6,339	6,757	7,783	8,453	8,885	8,509	8,563	9,424
Business services	6,418	6,570	6,775	6,158	5,051	5,744	4,134	4,886	8,236	7,777
Auto and miscellaneous repair	22,969	32,180	31,648	39,197	44,586	51,005	58,956	51,340	48,508	50,265
Amusement and recreation	9,078	11,564	12,989	12,931	14,163	14,348	16,666	14,295	17,411	17,550
Health services	1,924	2,723	2,383	2,158	2,037	2,309	2,581	2,643	1,490	1,387
Education	660	481	397	641	709	859	1,070	623	1,155	2,013
Construction	5,820	5,133	6,371	5,873	4,797	4,364	3,697	3,874	5,022	5,604
Manufacturing	12,978	12,997	14,941	15,405	12,496	14,184	16,544	17,084	17,257	20,349
Communications	142	0	0	94	720	1,023	2,054	20,034	20,228	31,387
Wholesale durable goods	12,261	18,440	19,452	22,750	20,968	21,040	20,912	21,142	32,594	38,267
Wholesale nondurable goods	5,451	6,567	12,039	16,497	15,577	17,287	15,708	15,181	13,772	14,623
Private motor vehicle sales	11,296	11,414	12,528	12,103	14,210	16,335	13,930	14,905	12,860	13,516
Nonclassifiable	652	159	426	576	2,463	2,430	2,461	18,700	28,067	40,700
All other outlets	3,296	5,741	5,886	7,790	7,008	6,491	5,085	6,196	12,904	5,637
	\$635,227	\$677,771	\$735,351	\$807,329	\$830,580	\$864,072	\$901,457	\$943,960	\$1,011,572	\$1,095,469

Source: Utah State Tax Commission

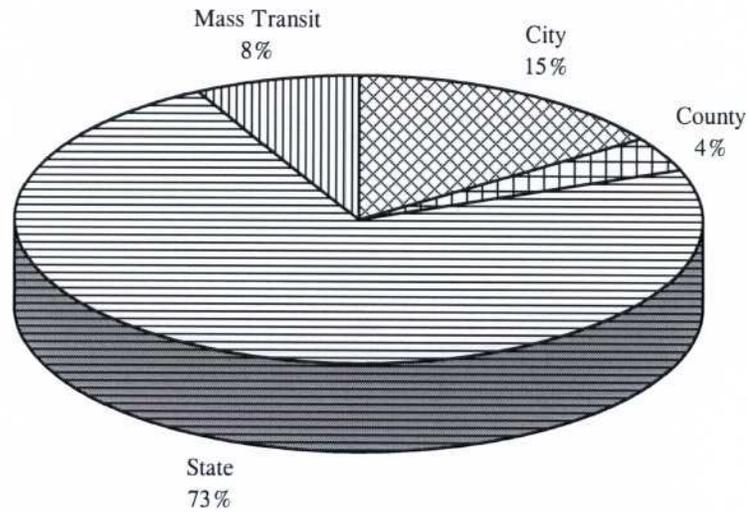
LAYTON CITY CORPORATION

DIRECT AND OVERLAPPING SALES TAX RATES LAST TEN FISCAL YEARS

Year	City	County	State	Mass Transit	Total
1997	1.00%	0.25%	4.75%	0.25%	6.25%
1998	1.00%	0.25%	4.75%	0.25%	6.25%
1999	1.00%	0.25%	4.75%	0.25%	6.25%
2000	1.00%	0.25%	4.75%	0.25%	6.25%
2001	1.00%	0.25%	4.75%	0.50%	6.50%
2002	1.00%	0.25%	4.75%	0.50%	6.50%
2003	1.00%	0.25%	4.75%	0.50%	6.50%
2004	1.00%	0.25%	4.75%	0.50%	6.50%
2005	1.00%	0.25%	4.75%	0.50%	6.50%
2006	1.00%	0.25%	4.75%	0.50%	6.50%

Source: Davis County Clerk/Auditor

2006 Direct and Overlapping Sales Tax Rates

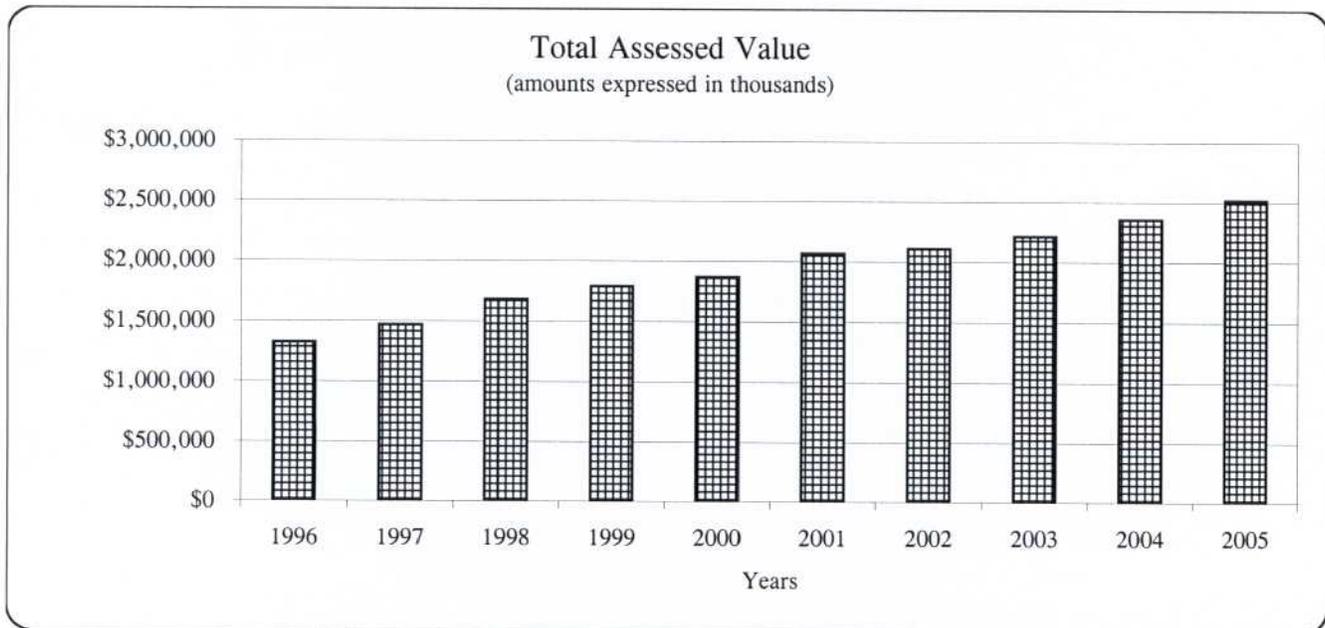


LAYTON CITY CORPORATION

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN CALENDAR YEARS (amounts expressed in thousands)

Year	Real Property		Personal Property		Total		Assessed Value as a Percentage of Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996	\$1,221,085	\$1,967,611	\$105,134	\$105,134	\$1,326,219	\$2,072,745	63.98%
1997	1,347,998	2,198,924	121,454	121,454	1,469,452	2,320,378	63.33%
1998	1,537,425	2,460,043	142,289	142,289	1,679,714	2,602,332	64.55%
1999	1,642,359	2,616,109	147,122	147,122	1,789,481	2,763,231	64.76%
2000	1,732,003	2,745,472	137,414	137,414	1,869,417	2,882,886	64.85%
2001	1,909,067	2,957,377	157,469	157,469	2,066,536	3,114,846	66.34%
2002	1,965,655	3,038,209	143,546	143,546	2,109,201	3,181,755	66.29%
2003	2,082,803	3,229,152	130,284	130,284	2,213,087	3,359,436	65.88%
2004	2,220,159	3,346,562	136,042	136,042	2,356,201	3,482,604	67.66%
2005	2,375,536	3,708,619	142,877	142,877	2,518,413	3,851,496	65.39%

Source: Davis County Clerk/Auditor; except 2004 estimated actual values estimated by the City

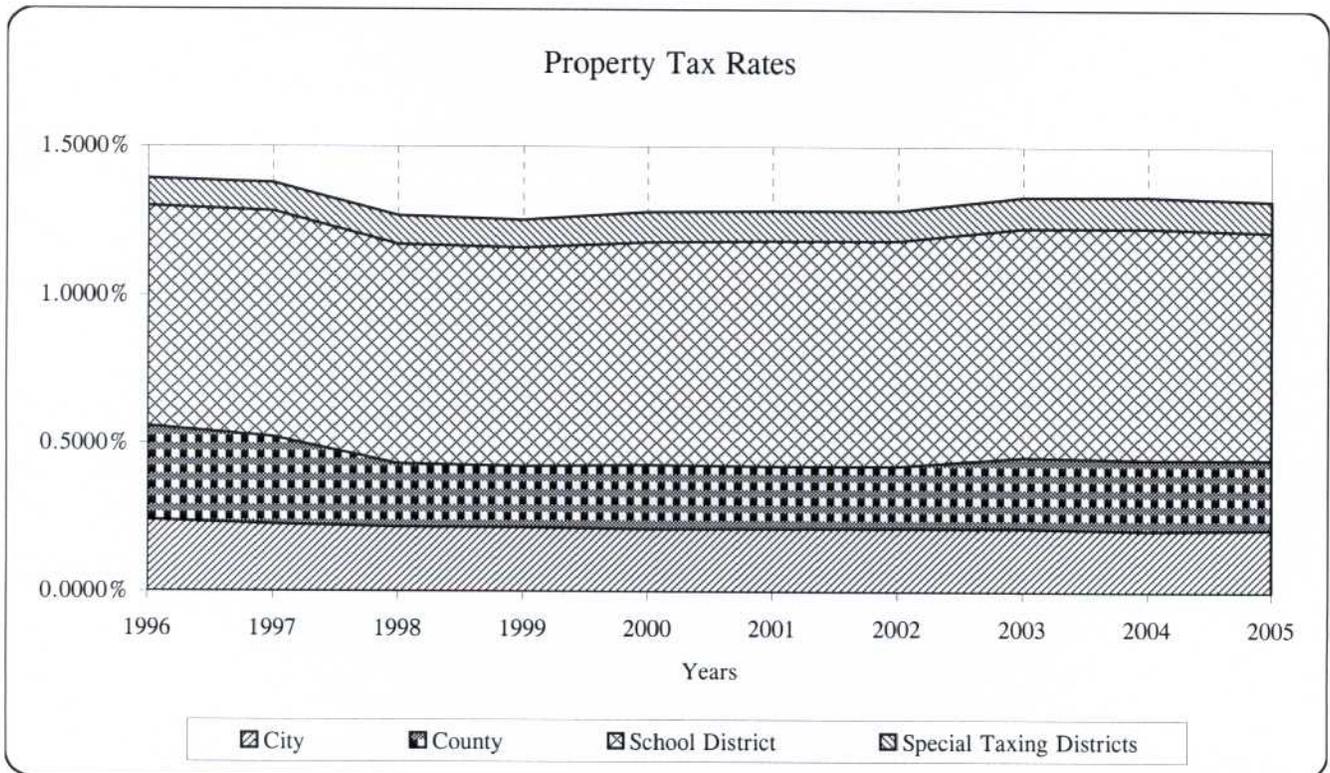


LAYTON CITY CORPORATION

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN CALENDAR YEARS

Year	City	County	School District	Special Taxing Districts	Total Levy for Layton City Residents
1996	0.2420%	0.3169%	0.7408%	0.0920%	1.3917%
1997	0.2279%	0.2946%	0.7604%	0.0948%	1.3777%
1998	0.2190%	0.2125%	0.7393%	0.0969%	1.2677%
1999	0.2176%	0.2054%	0.7370%	0.0935%	1.2535%
2000	0.2124%	0.2145%	0.7517%	0.1025%	1.2811%
2001	0.2140%	0.2095%	0.7600%	0.1017%	1.2852%
2002	0.2155%	0.2081%	0.7610%	0.1017%	1.2863%
2003	0.2161%	0.2388%	0.7731%	0.1053%	1.3333%
2004	0.2092%	0.2380%	0.7821%	0.1054%	1.3347%
2005	0.2134%	0.2347%	0.7684%	0.1047%	1.3212%

Source: Davis County Clerk/Auditor



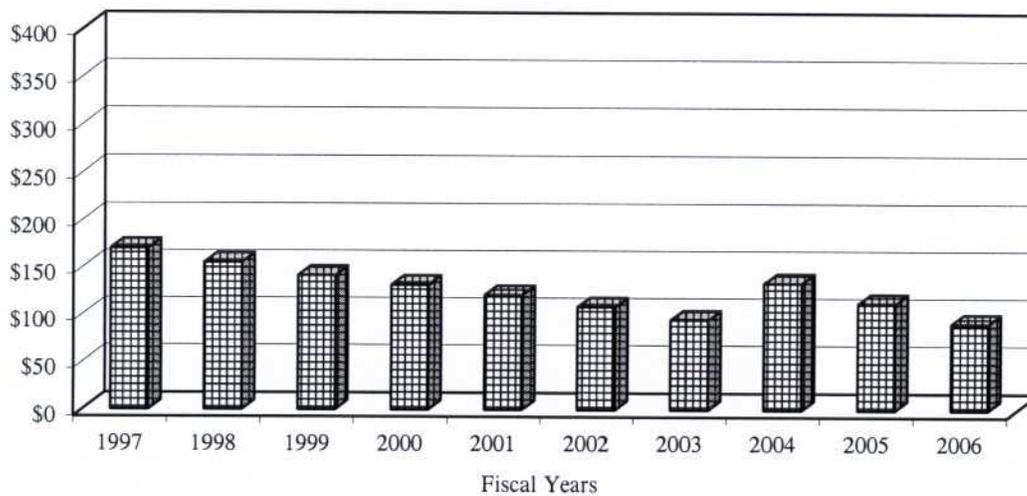
LAYTON CITY CORPORATION

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Sales Tax Revenue Bonds	MBA Lease Revenue Bonds	Note Payable	Sales Tax Revenue Bonds	Water General Obligation Bonds	Water Revenue Bonds			
1997		\$8,795,000			\$95,000	\$291,787	\$9,181,787	0.85%	\$170
1998		8,340,000			85,000	259,787	8,684,787	0.72%	155
1999		7,870,000			75,000	225,787	8,170,787	0.63%	142
2000		7,375,000			65,000	189,787	7,629,787	0.56%	132
2001		6,865,000			50,000	151,787	7,066,787	0.48%	121
2002		6,325,000			35,000	113,787	6,473,787	0.43%	108
2003		5,760,000			20,000	71,787	5,851,787	0.36%	95
2004	\$4,615,000		\$683,786	\$3,125,000		28,787	8,452,573	0.50%	134
2005	3,810,000		577,931	2,850,000			7,237,931	0.41%	112
2006	2,990,000		460,110	2,570,000			6,020,110	0.32%	91

Note: See schedule of demographic and economic statistics, page 105, for personal income and population data.

Debt Per Capita



LAYTON CITY CORPORATION

RATIOS OF GENERAL OBLIGATION BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable From Enterprise Revenues	Net Bonded Debt	Percentage of Estimated Value of Taxable Property	Per Capita
1997	\$355,000	\$107,791	\$355,000	---	---	---
1998	85,000	1,146	85,000	---	---	---
1999	75,000	162,483	75,000	---	---	---
2000	65,000	101,780	65,000	---	---	---
2001	50,000	(4,218)	50,000	---	---	---
2002	35,000	1,861	35,000	---	---	---
2003	20,000	3,041	20,000	---	---	---
2004	---	---	---	---	---	---
2005	---	---	---	---	---	---
2006	---	---	---	---	---	---

Note: Population data can be found on the schedule of demographic and economic statistics page 105.

Estimated actual taxable value of property can be found on page 98 assessed and estimated actual value of property table.

LAYTON CITY CORPORATION

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT DECEMBER 31, 2005

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Davis County	\$26,535,000	23.13%	\$6,137,546
Davis School District	223,365,000	23.13%	51,664,325
Other debt			
Davis County:			
Sales tax revenue bonds	8,325,000	32.21%	2,681,483
MBA lease revenue bonds	1,363,000	23.13%	315,262
Lease purchase line of credit	2,949,726	23.13%	682,272
Total overlapping debt	262,537,726		61,480,888
Layton City Corporation sales tax revenue bonds	2,990,000		2,990,000
Total direct and overlapping debt	\$265,527,726		\$64,470,888

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable to Layton City was estimated using taxable assessed property values. Percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable value. This method was used on all debt except retail sales tax revenue bonds.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Layton City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

Sources: Davis County, Davis School District

LAYTON CITY CORPORATION

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$53,048,755	\$58,778,093	\$67,188,592	\$71,579,239	\$74,776,663	\$82,661,464	\$84,368,061	\$88,523,453	\$94,248,038	\$100,736,548
Total net debt applicable to limit	355,000	85,000	75,000	65,000	50,000	35,000	20,000			
Legal debt margin	\$52,693,755	\$58,693,093	\$67,113,592	\$71,514,239	\$74,726,663	\$82,626,464	\$84,348,061	\$88,523,453	\$94,248,038	\$100,736,548
Total net debt applicable to the limit as a percentage of debt limit	0.67%	0.14%	0.11%	0.09%	0.07%	0.04%	0.02%			

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$2,518,413,695
Debt limit (4 percent of total asessed value)	100,736,548
Debt applicable to limit:	
Total bonded debt	5,560,000
Less revenue bonds	5,560,000
Total debt applicable to limitation	0
Legal debt margin	\$100,736,548

LAYTON CITY CORPORATION

PLEDGED REVENUE COVERAGE - SALES TAX REVENUE AND REFUNDING BOND SERIES 2003
LAST THREE FISCAL YEARS

Year	Sales and Use Tax Tax Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2004	\$9,597,455		\$100,796	\$100,796	95.22
2005	10,369,287	\$1,080,000	189,442	1,269,442	8.17
2006	11,293,832	1,100,000	164,917	1,264,917	8.93

Note: Sales tax revenue and refunding bonds were issued July 15, 2003

LAYTON CITY CORPORATION

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS

Year	(1) Population	(2) Per Capita Income	Personal Income (in thousands)	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
1996	53,976	\$20,091	\$1,084,432	25.3	14,555	3.2%
1997	55,887	21,599	1,207,103	25.3	13,687	2.9%
1998	57,669	22,650	1,306,203	25.3	13,549	3.5%
1999	58,000	23,405	1,357,490	25.3	12,538	3.5%
2000	58,474	25,064	1,465,592	26.8	12,066	3.1%
2001	59,725	25,430	1,518,807	26.8	12,406	4.0%
2002	61,827	25,947	1,604,225	26.8	11,857	5.2%
2003	63,167	26,943	1,701,908	26.8	11,073	4.8%
2004	64,367	27,418	1,764,814	26.8	13,107	4.0%
2005	66,310	28,081	1,862,051	26.8	13,319	4.1%

(1) Year 2000 is from United States census report, other years are estimates of the Layton City Planning Division

(2) Davis County Clerk/Auditor

(3) 1996 to 1999 is from the 1990 United States census, 2000 to 2005 is from the 2000 United States census

(4) Davis School District (school boundaries may extend beyond Layton City)

(5) Utah Department of Workforce Services

LAYTON CITY CORPORATION

PRINCIPAL EMPLOYERS JUNE 30, 2006

Employer	2006		Percentage of Total City Employment
	Employees	Rank	
Hill Air Force Base (1)	14,999	1	N/A
Davis School District	1,999	2	8.27%
Citigroup	999	3	4.13%
Davis Hospital and Medical Center	999	4	4.13%
Smiths Distribution Center	999	5	4.13%
Wal-Mart	499	6	2.06%
May Trucking	499	7	2.06%
SOS Temporary Services	499	8	2.06%
Tanner Memorial Clinic	499	9	2.06%
Layton City	499	10	2.06%
Total	<u>7,491</u>		<u>31.00%</u>

Source: Workforce Services

Note: Workforce services provides a range of employees, the top of the range has been used to calculate the percentage of total city employment. Prior period information was not available at the City level for comparison purposes.

(1) Layton City is adjacent to Hill Air Force Base, which is a major employer in the state and makes a significant contribution to the economics of northern Utah. The number of employees stated represents the approximate number of civilian employees at the base, but has been excluded from the total and the percentage because the base is not part of Layton City.

LAYTON CITY CORPORATION

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Function	Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government:										
Administration	9.0	10.3	11.5	11.5	3.0	3.0	3.0	3.0	3.0	3.0
Legal	5.0	5.0	5.0	5.0	5.5	5.5	5.5	6.0	7.5	7.5
Finance	10.0	10.0	10.0	11.5	9.5	11.0	11.5	11.5	11.5	12.0
Management services					13.0	14.0	16.0	18.0	19.0	19.0
Total general government	24.0	25.3	26.5	28.0	31.0	33.5	36.0	38.5	41.0	41.5
Public Safety:										
Police	77.3	77.3	79.0	83.0	90.0	93.8	96.8	100.0	105.5	110.5
Fire	27.8	29.8	40.9	41.3	50.5	51.5	54.5	56.0	60.5	64.5
Total public safety	105.1	107.1	119.9	124.3	140.5	145.3	151.3	156.0	166.0	175.0
Community development	13.0	13.0	14.0	15.0	15.8	16.3	17.3	17.0	17.0	16.0
Street and public improvements:										
Streets	15.0	15.0	15.4	17.4	18.8	19.8	19.8	18.8	18.8	17.6
Shop	2.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Engineering										8.8
Total streets and public improvements	17.0	18.0	18.4	20.4	22.8	23.8	23.8	22.8	22.8	30.4
Parks and recreation:										
Parks administration	2.5	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Parks	21.5	23.3	24.1	25.1	26.5	28.5	29.5	29.5	29.5	32.0
Recreation	5.8	5.8	5.8	5.8	6.1	7.1	7.1	7.1	7.1	7.6
Museum	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
Total parks and recreation	30.8	33.1	34.9	35.9	37.6	40.6	41.6	41.6	41.6	44.1
Water	12.8	14.8	14.1	14.1	18.3	20.3	21.3	22.3	22.5	15.5
Storm sewer		2.0	2.0	2.0	1.8	1.8	1.8	2.0	2.0	3.0
Sewer	5.3	6.8	5.0	4.0	4.0	5.0	6.0	6.0	6.0	6.0
Swimming pool	16.8	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.4
Total primary government	224.8	236.1	250.8	259.7	287.8	302.6	315.1	322.2	334.9	347.9

LAYTON CITY CORPORATION

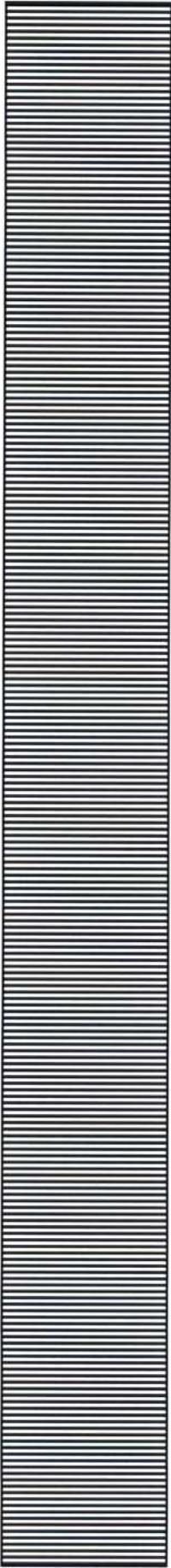
OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Citations issued	5,913	6,404	5,132	5,153	5,187	7,020	7,481	9,348	9,991	8,052
Arrests made	2,496	2,531	2,512	2,538	3,425	2,783	2,745	2,551	2,876	2,855
Incidents	39,510	39,319	39,570	42,291	39,795	50,875	48,748	51,490	50,869	57,970
Fire										
Calls answered	2,056	2,130	2,572	2,805	2,834	3,201	3,476	3,693	4,102	4,141
Water										
Water users (units)	18,282	18,887	19,566	20,322	20,572	20,911	21,057	21,417	22,040	22,329
Average daily consumption (millions of gallons)	9.2	10.0	10.0	12.0	13.3	13.3	10.8	11.1	11.2	11.2
Sewer										
Users (units)	18,157	18,764	19,498	20,252	20,502	20,841	20,987	21,342	21,965	22,254
Storm sewer										
Users (units)	18,157	18,764	19,498	20,252	20,502	20,841	20,987	21,342	21,965	22,254
Refuse										
Residential cans in service	13,907	14,753	15,810	16,751	17,091	17,620	18,125	18,499	19,158	19,949

LAYTON CITY CORPORATION

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	35	41	42	50	53	55	51	50	50	47
Fire Stations	2	2	3	3	3	3	3	3	3	3
Streets (lineal mileage)	200	204	207	211	213	216	218	221	223	223
Parks and Recreation										
Park acreage developed	142	142	142	142	153	153	161	161	171	171
Park acreage undeveloped	218	218	218	225	299	299	310	310	300	343
Parks	9	9	9	9	10	10	11	11	12	12
Tennis Courts	8	10	10	10	11	11	12	12	13	13
Gymnasiums	1	1	1	1	1	2	2	2	2	2
Water										
Water mains (miles)	200	216	220	226	229	232	234	239	243	243
Maximum daily capacity (million gallons)	21	21	21	21	21	21	21	21	21	21
Storage capacity (million gallons)	15	16	16	16	20	22	22	22	23	23
Wells	6	6	6	6	6	5	5	5	5	5
Sewer										
Sanitary sewer mains (miles)	150	154	157	162	165	168	169	172	174	175
Storm Sewer										
Storm sewer mains (miles)	87	91	97	102	105	107	108	115	118	120
Swimming pools	2	2	2	2	2	2	2	2	2	2



Layton City Corporation

Compliance Reports

Hansen, Bradshaw, Malmrose & Erickson

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

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

We have audited the basic financial statements of the City of Layton, Utah (the City), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City, in a separate letter dated November 3, 2006.

Internal Control Over Financial Reporting In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

November 3, 2006

Hansen, Bradshaw, Malmrose & Erickson

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Layton, Utah (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

November 3, 2006

CITY OF LAYTON, UTAH
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/Program Number</u>	<u>Federal Expenditures</u>
<u>Expenditures</u>			
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-02-MC-49-0010	\$ 15,000
	14.218	B-03-MC-49-0010	15,500
	14.218	B-04-MC-49-0010	<u>387,946</u>
Total Department of Housing and Urban Development			<u>418,446</u>
U.S. Department of Justice			
JAG Grant	16.738	SA14	90,169
	16.738	05DJBBX1562	36,433
COPS FAST Universal Hiring Grant	16.710	03-UMWX0338	58,800
COPS in shops	16.727	OJJ4-J135	4,041
Local Law Enforcement Block Grant	16.592	03-LBBX2290	20,566
Byrne Formula Grant Program	16.579	03-DB-BX-0049	7,880
	16.579	HIDTA2005	42,368
Critical Infrastructure Protection Grant	16.007	DES-2003-CIP-019	42,919
VOCA	16.575	04-VOCA-24	<u>42,611</u>
Total Department of Justice			<u>345,787</u>
U.S. Department of Homeland Security			
Strike Force Homeland Security Grant	97.004	DES-04-LETP-001	2,264
Firefighter Assistance	97.004	AFG2005-62-0364	101,073
Pre-Disaster Mitigation Grant	97.017	2005-UT-DHC5	<u>103,278</u>
			<u>206,615</u>
Total Expenditures of Federal Awards			<u>\$970,848</u>

CITY OF LAYTON, UTAH
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

The following are the notes to the supplementary schedule of expenditures of federal awards:

- General - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Layton, Utah (the City). The City is defined in note 1 to the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.
- Basis of Accounting - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting for expenditures in governmental fund types, which is described in note 1 to the City's basic financial statements.
- Relationship to Basic Financial Statements - Federal financial assistance expenditures can not be directly reconciled to the basic financial statements. Intergovernmental revenues include federal revenues for governmental fund types.

CITY OF LAYTON, UTAH
Schedule of Findings and Questioned Costs
June 30, 2006

SUMMARY OF AUDITOR'S RESULTS

Type of report issued on the financial statements:	An unqualified opinion was issued on the financial statements of the City.
Reportable conditions in internal control:	None.
Noncompliance:	No instances of noncompliance were found which were material to the financial statements of the City.
Type of report issued on compliance for major programs:	An unqualified opinion was issued on compliance for the major program.
Audit findings:	No audit findings required to be reported under OMB Circular A-133 or <i>Government Auditing Standards</i> .
Major Programs:	Major programs includes: Community Development Block Grant CFDA #14.218
Dollar threshold - type A and type B programs:	\$300,000
Qualification of auditee:	The City qualified as a low-risk auditee under OMB Circular A-133.

FINDINGS RELATING TO FINANCIAL STATEMENTS

No findings or questioned costs are required to be reported under *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings or questioned costs related to federal awards that are required to be reported under OMB Circular A-133 were noted during the audit.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE OF UTAH STATE LEGAL COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of the City of Layton, Utah (the City) for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; 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, 2006. The City received the following major State assistance program from the State of Utah:

B & C Road Funds (Department of Transportation)

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

Cash Management	B & C Road Funds
Budgetary Compliance	Other Compliance Requirements
Truth in Taxation and Property	Impact Fees
Tax Limitation	Uniform Building Code Standards
Liquor Law Enforcement	Purchasing Requirements
Public Debt	

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

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

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

In our opinion, the City of Layton, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

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

November 3, 2006

CITY OF LAYTON, UTAH
Schedule of Findings
Year Ended June 30, 2006

1. Budgetary Compliance

Finding: In accordance with State law, officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. For the year ended June 30, 2006, expenditures exceeded budgeted amounts in the Debt Service Fund by \$14,821.

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

Management's Response: This resulted from payments on a note that are directly tied to the transient room tax revenue. Transient room tax revenue was higher than budgeted and thus the payments made on the note were higher. The difference was not discovered in time to make an amendment before the year end. The finance department staff will be more diligent in monitoring the debt service fund budget.

LAYTON CITY CORPORATION

SCHEDULE OF TRANSPORTATION IMPACT FEES COLLECTED STATE COMPLIANCE INFORMATION

Fiscal Year Ended June 30, 2006

Subdivision Name/Description	Fiscal Year Collected	Amount	Projected Period to be Expended
Adamswood landing	2006	\$15,000.00	1 to 5 years
Aspen place	2006	9,750.00	1 to 5 years
Chadwick farms	2006	10,500.00	1 to 5 years
Clearwater cove	2006	5,555.16	1 to 5 years
Coldwater creek	2006	20,250.00	1 to 5 years
Evans cove	2006	13,674.24	1 to 5 years
Evans meadows	2006	15,750.00	1 to 5 years
Feathering sands	2006	13,500.00	1 to 5 years
Layton place	2006	5,250.00	1 to 5 years
Layton ridges	2006	8,250.00	1 to 5 years
Park meadows	2006	13,500.00	1 to 5 years
Roberts farms	2006	17,250.00	1 to 5 years
Sandy ridge estates	2006	13,550.00	1 to 5 years
Shadybrook park	2006	16,500.00	1 to 5 years
Sierra bella	2006	16,500.00	1 to 5 years
Spring creek	2006	7,500.00	1 to 5 years
Stonefield village	2006	16,596.15	1 to 5 years
Swan meadows	2006	12,000.00	1 to 5 years
The vineyards	2006	16,500.00	1 to 5 years
Weaver meadows	2006	8,250.00	1 to 5 years
Westfield estates	2006	18,000.00	1 to 5 years
Wild horse meadows	2006	15,000.00	1 to 5 years
Wild horse springs	2006	6,000.00	1 to 5 years
Holmes creek business park	2006	14,277.50	1 to 5 years
Christensen dental offices	2006	19,195.92	1 to 5 years
Clearfield dental	2006	9,077.17	1 to 5 years
Comfort dental	2006	6,842.25	1 to 5 years
Destination homes office building	2006	29,121.57	1 to 5 years
Hope apartments	2006	10,140.00	1 to 5 years
Larsen storage units	2006	6,042.88	1 to 5 years
LDS Church 1402 north fort lane	2006	7,417.98	1 to 5 years
Home direct	2006	6,359.85	1 to 5 years
Red fox solutions	2006	8,076.00	1 to 5 years
Starbucks coffee	2006	7,064.00	1 to 5 years
Duncan lighting	2006	9,940.21	1 to 5 years
P&S shutters	2006	6,773.07	1 to 5 years
Utah career center	2006	45,279.05	1 to 5 years
Wyndom square	2006	11,059.28	1 to 5 years
Young chevrolet	2006	8,139.34	1 to 5 years
Various others	2006	146,361.93	1 to 5 years
Total		<u>\$645,793.55</u>	

Transportation impact fees will be expended on projects listed in the Five Year Capital Improvement Plan approved and amended annually by the City Council.

LAYTON CITY CORPORATION

SCHEDULE OF PARK IMPACT FEES COLLECTED STATE COMPLIANCE INFORMATION

Fiscal Year Ended June 30, 2006

Subdivision Name/Description	Fiscal Year Collected	Amount	Projected Period to be Expended
Adamswood landing	2006	\$16,000.00	1 to 5 years
Antelope hills	2006	2,400.00	1 to 5 years
Aspen place	2006	10,400.00	1 to 5 years
Bromsfield estates	2006	1,600.00	1 to 5 years
Chadwick farms	2006	11,200.00	1 to 5 years
Clearwater cove	2006	12,610.00	1 to 5 years
Coldwater creek	2006	21,600.00	1 to 5 years
Evans cove	2006	31,040.00	1 to 5 years
Evans meadows	2006	16,000.00	1 to 5 years
Feathering sands	2006	14,400.00	1 to 5 years
Layton place	2006	5,600.00	1 to 5 years
Layton ridges	2006	8,800.00	1 to 5 years
Park meadows	2006	14,400.00	1 to 5 years
Peacefield	2006	4,800.00	1 to 5 years
Roberts farms	2006	18,400.00	1 to 5 years
Rockwell estates	2006	1,600.00	1 to 5 years
Sandy ridge estates	2006	12,800.00	1 to 5 years
Shadybrook park	2006	16,800.00	1 to 5 years
Sierra bella	2006	17,600.00	1 to 5 years
Spring creek	2006	8,800.00	1 to 5 years
Stonefield village	2006	24,270.00	1 to 5 years
Swan meadows	2006	12,800.00	1 to 5 years
The vineyards	2006	17,600.00	1 to 5 years
Weaver meadows	2006	8,800.00	1 to 5 years
Westfield estates	2006	19,200.00	1 to 5 years
Wheatfield estates	2006	3,200.00	1 to 5 years
Wild horse meadows	2006	15,200.00	1 to 5 years
Wild horse springs	2006	6,400.00	1 to 5 years
Willow bend	2006	4,800.00	1 to 5 years
Various others	2006	19,540.00	1 to 5 years
Total		<u>\$378,660.00</u>	

Park impact fees will be expended on projects listed in the Five Year Capital Improvement Plan approved and amended annually by the City Council.

LAYTON CITY CORPORATION

SCHEDULE OF PUBLIC SAFETY IMPACT FEES COLLECTED
STATE COMPLIANCE INFORMATION

Fiscal Year Ended June 30, 2006

Subdivision Name/Description	Fiscal Year Collected	Amount	Projected Period to be Expended
Holmes creek business park	2006	\$1,637.50	1 to 5 years
Christensen dental offices	2006	2,057.72	1 to 5 years
Destination homes office building	2006	8,392.18	1 to 5 years
Hollister & co.	2006	3,356.88	1 to 5 years
Hope apartments	2006	3,910.00	1 to 5 years
LDS Church 1402 north fort lane	2006	2,400.91	1 to 5 years
Vaughn Allen phases along south main	2006	3,540.35	1 to 5 years
Evans cove	2006	4,692.00	1 to 5 years
Home direct	2006	349.65	1 to 5 years
Red fox solutions	2006	444.00	1 to 5 years
Starbucks coffee	2006	1,171.80	1 to 5 years
Coldwater creek	2006	501.00	1 to 5 years
Duncan lighting	2006	546.49	1 to 5 years
Great clips	2006	786.00	1 to 5 years
Amy's nails	2006	786.00	1 to 5 years
Bradshaw CPA	2006	938.81	1 to 5 years
Ups store	2006	854.78	1 to 5 years
Utah career center	2006	20,656.08	1 to 5 years
Various others	2006	4,519.71	1 to 5 years
Total		<u>\$61,541.86</u>	

Public Safety impact fees will be expended on projects listed in the Five Year Capital Improvement Plan approved and amended annually by the City Council.

LAYTON CITY CORPORATION

SCHEDULE OF WATER IMPACT FEES COLLECTED STATE COMPLIANCE INFORMATION

Fiscal Year Ended June 30, 2006

Subdivision Name/Description	Fiscal Year Collected	Amount	Projected Period to be Expended
Adamswood landing	2006	\$11,400.00	1 to 5 years
Antelope hills	2006	1,800.00	1 to 5 years
Aspen place	2006	7,800.00	1 to 5 years
Bromsfield estates	2006	9,600.00	1 to 5 years
Chadwick farms	2006	8,400.00	1 to 5 years
Clearwater cove	2006	23,400.00	1 to 5 years
Coldwater creek	2006	24,750.00	1 to 5 years
Evans cove	2006	9,000.00	1 to 5 years
Evans meadows	2006	13,200.00	1 to 5 years
Feathering sands	2006	10,800.00	1 to 5 years
Layton place	2006	4,200.00	1 to 5 years
Layton ridges	2006	59,100.00	1 to 5 years
Park meadows	2006	10,800.00	1 to 5 years
Peacefield	2006	4,200.00	1 to 5 years
Roberts farms	2006	13,800.00	1 to 5 years
Rockwell estates	2006	2,400.00	1 to 5 years
Sandy ridge estates	2006	10,800.00	1 to 5 years
Shadybrook park	2006	13,200.00	1 to 5 years
Sierra bella	2006	13,200.00	1 to 5 years
Spring creek	2006	6,000.00	1 to 5 years
Stonefield village	2006	32,100.00	1 to 5 years
Swan meadows	2006	9,600.00	1 to 5 years
The vineyards	2006	13,200.00	1 to 5 years
Weaver meadows	2006	6,600.00	1 to 5 years
Westfield estates	2006	14,400.00	1 to 5 years
Wheatfield estates	2006	4,200.00	1 to 5 years
Wild horse meadows	2006	17,000.00	1 to 5 years
Wild horse springs	2006	9,900.00	1 to 5 years
Willow bend	2006	3,600.00	1 to 5 years
Christensen dental offices	2006	3,000.00	1 to 5 years
Destination homes office building	2006	8,550.00	1 to 5 years
Hope apartments	2006	3,000.00	1 to 5 years
LDS Church 1402 north fort lane	2006	8,550.00	1 to 5 years
LDS Church at wildhorse springs	2006	4,800.00	1 to 5 years
Stevenson warehouse	2006	4,800.00	1 to 5 years
P&S shutters	2006	8,550.00	1 to 5 years
Office 1086 E highway 193	2006	8,550.00	1 to 5 years
Windsor square office	2006	4,500.00	1 to 5 years
Various others	2006	71,080.00	1 to 5 years
Total		<u>\$493,830.00</u>	

Water impact fees will be expended on projects listed in the Five Year Capital Improvement Plan approved and amended annually by the City Council.

LAYTON CITY CORPORATION

SCHEDULE OF STORM SEWER IMPACT FEES COLLECTED STATE COMPLIANCE INFORMATION

Fiscal Year Ended June 30, 2006

Subdivision Name/Description	Fiscal Year Collected	Amount	Projected Period to be Expended
East Area			
Adamswood landing	2006	\$11,846.00	1 to 5 years
Clearwater cove	2006	5,192.46	1 to 5 years
Christensen dental offices	2006	5,568.46	1 to 5 years
Clearfield dental	2006	2,019.12	1 to 5 years
Hope apartments	2006	2,474.87	1 to 5 years
Layton restaurant complex	2006	5,996.80	1 to 5 years
Gary Wright building	2006	30,933.41	1 to 5 years
Elk valley construction building	2006	7,643.54	1 to 5 years
Wyndom square	2006	5,208.64	1 to 5 years
Utah career center	2006	12,188.72	1 to 5 years
Various others	2006	5,858.23	1 to 5 years
Total		<u>\$94,930.25</u>	
Central Area			
Stevenson warehouse	2006	\$19,467.26	1 to 5 years
Layton warehouse #3	2006	15,040.07	1 to 5 years
Building #1 at angel street plaza	2006	9,513.13	1 to 5 years
Building 196 sugar street	2006	12,600.17	1 to 5 years
Hidden garden PRUD	2006	26,775.00	1 to 5 years
Heartland subdivision	2006	12,644.00	1 to 5 years
LDS church 1402 n fort lane	2006	4,372.26	1 to 5 years
Destination homes	2006	9,176.19	1 to 5 years
Various others	2006	2,042.28	1 to 5 years
Total		<u>\$111,630.36</u>	
West Area			
Coldwater creek	2006	\$57,497.10	1 to 5 years
Larsen storage units	2006	7,335.21	1 to 5 years
LDS church in wild horse springs	2006	8,654.09	1 to 5 years
Lessig building	2006	8,232.33	1 to 5 years
Roberts farms	2006	75,441.29	1 to 5 years
Shadybrook	2006	7,080.50	1 to 5 years
Sierra bella	2006	39,767.11	1 to 5 years
P&S shutters	2006	61,215.51	1 to 5 years
Wild horse meadows	2006	27,805.20	1 to 5 years
Sprinkler supply	2006	11,606.20	1 to 5 years
Various others	2006	3,355.85	1 to 5 years
Total		<u>\$307,990.39</u>	

Storm Sewer impact fees will be expended on projects listed in the Five Year Capital Improvement Plan approved and amended annually by the City Council.