# REDEVELOPMENT AGENCY OF SALT LAKE CITY
## (An Enterprise Fund of Salt Lake City Corporation, Utah)

**INDEPENDENT AUDITORS' REPORT**
**AND**
**FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

HANSEN, BARNETT & MAXWELL, P.C.
Certified Public Accountants

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**

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HANSEN, BARNETT & MAXWELL, P.C.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Directors
Redevelopment Agency of Salt Lake City

We have audited the accompanying balance sheets of the Redevelopment Agency of Salt Lake City ("the Agency"), an enterprise fund of Salt Lake City Corporation, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2011 and 2010, and changes in its net assets and its cash flows for the years then ended are conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Required Supplementary Information listed in the table of contents are not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of the Agency's management. Such supplementary information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Hansen, Barnett + Maxwell, P.C.

**HANSEN, BARNETT & MAXWELL, P.C.**

Salt Lake City, Utah
October 6, 2011

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**SALT LAKE CITY REDEVELOPMENT AGENCY**
**(An Enterprise Fund of Salt Lake City Corporation, Utah)**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**(Unaudited)**

Redevelopment Agency of Salt Lake City (Agency) management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of, and for the twelve months ended, June 30, 2011 and 2010. As management of the Agency, we encourage readers to consider information contained in this discussion.

## FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the end of the 2011 and 2010 fiscal years by $129,381,000 and $122,221,000 respectively (net assets). Of the total amounts, $79,988,000 for fiscal 2011 and $79,956,000 for fiscal 2010 are available to meet ongoing obligations to creditors. The remaining net assets, $49,393,000 and $42,265,000 and for fiscal 2011 and 2010 respectively, are either restricted or invested in capital assets, net of related debt, and therefore not available to meet the Agency's ongoing obligations.

Net assets increased by $7,160,000 in fiscal 2011 and $8,249,000 in fiscal 2010. The lower increase in net assets during fiscal 2011 compared to fiscal 2010 occurred mainly because of depreciation of existing capital assets. Other minor factors were slightly lower construction capitalization and still lower interest income from investments as a result of slightly lower interest rates. Lower interest and fiscal charges combined with no loss on sale of land and buildings held for resale contributed to the increased change of net assets from fiscal 2010 compared to fiscal 2009. Offsetting these two positive factors was a significant decrease in interest income. Total long-term debt decreased by $2,743,000 during fiscal 2011 and $2,828,000 for fiscal 2010. No new revenue bonds were issued during either fiscal year, while the principal payments on existing bonds continued to be made.

A significant portion of total assets is the unrestricted cash amounting to $50,656,000 in fiscal 2011 and $52,810,000 in fiscal 2010. Statutorily, the Agency is required to spend the tax increment funds generated in each of its projects area within the boundaries of the project area except for affordable housing projects. No one project or project area has access to all of the unrestricted cash balance shown above. In addition, the Board of the Agency has a budgetary practice to follow a pay-as-you-go funding mechanism. For large projects, this means budgeting over multiple years, then beginning the project. This allows the Agency to accumulate sufficient funds for the project or projects rather than incurring debt for financing.

Another portion of assets is the loans receivable balance. These loans to individuals and businesses for acquisition, rehabilitation or façade renovation continue to be an important aspect of the Agency's blight elimination mission. During fiscal year 2011, new loans totaling $3,674,000 were originated, but not necessarily funded, and principal payments of $5,101,000 were received. For fiscal year 2010, the loan amounts originated, but not necessarily funded, and principal received were $1,789,000 and $3,548,000, respectively. The Agency's loans receivable decreased by $3,778,000 in fiscal 2011 and decreased by $1,250,000 in fiscal 2010, which brings the current balance to $24,731,000.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Redevelopment Agency of Salt Lake City's basic financial statements and the notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader to gain a more in-depth understanding of the Agency's financial condition.

**The balance sheet** shows the Agency's total assets and liabilities with the difference shown as net assets. Increases or decreases over time in net assets gives an indicator as to whether the financial condition of the Agency is improving or declining.

**The statement of revenues, expenses and changes in net assets** shows the changes to net assets that occurred during the two most recent fiscal years. These changes are recorded when the underlying event that causes the change occurs regardless of when the cash transaction takes place. Therefore revenues and expenses are recorded in the statement of activities for some items that the resulting cash flows occur in a future period. Examples are future debt interest payments, when the fiscal year ends between interest payments, and earned, but not yet received, interest on investments.

**The statement of cash flows** shows the inflows and outflows of cash as a result of transactions in four categories. The categories are operating activities, capital and related financing activities, non-capital and related financing activities and investing activities.

**Notes to the financial statements** contain additional information important to a complete understanding of the information contained in the financial statements. Notes to the financial statements begin on page 11 of this report.

## OTHER INFORMATION

Legislatively required supplemental schedules containing selected information by project area are contained in this report immediately following the notes to the financial statements and can be found on pages 24-28.

## FINANCIAL ANALYSIS

As mentioned earlier, net assets may over time indicate the Agency's financial position. The Agency's assets exceeded its liabilities by $129,381,000 and $122,221,000 at the close of the fiscal years ended June 30, 2011 and 2010 respectively.

The majority (97% in fiscal 2011 and virtually 100 percent in fiscal 2010) of the Agency's net assets are comprised of its unrestricted net assets and restricted net assets invested in capital assets – net of related debt, and results from the Agency's ongoing purpose of eliminating urban blight. The Agency has issued debt to acquire and assemble adjacent properties, demolish buildings and perform other site preparation activities. As an incentive to a developer, the Agency may sell land for less than its cost or market value. Newly developed properties generate increased property taxes, a portion of which the Redevelopment Agency receives to pay any applicable debt. The other portion (3% in fiscal 2011 and less than ½ percent in fiscal 2010) of net assets represents resources that have external restrictions on how they can be used.

## REDEVELOPMENT AGENCY OF SALT LAKE CITY NET ASSETS

| | June 30, 2011 | June 30, 2010 | June 30, 2009 |
|---|---|---|---|
| Current and other assets | $ 115,805,726 | $ 118,051,657 | $ 121,216,873 |
| Capital Assets | 45,798,828 | 41,974,128 | 36,430,629 |
| Total Assets | 161,604,554 | 160,025,785 | 157,647,502 |
| Liabilities | | | |
| Bonds and primary government advance | 10,475,222 | 13,218,319 | 16,046,533 |
| Other Liabilities | 21,748,487 | 24,586,372 | 27,629,231 |
| Total Liabilities | 32,223,709 | 37,804,691 | 43,675,764 |
| Net Assets: | | | |
| Invested in capital assets - net of related debt | 45,798,828 | 41,974,128 | 36,430,629 |
| Restricted for debt service, capital construction and undisbursed loan commitments held in escrow | 3,594,195 | 290,782 | 315,991 |
| Unrestricted | 79,987,822 | 79,956,184 | 77,225,118 |
| Total net assets | $ 129,380,845 | $ 122,221,094 | $ 113,971,738 |

**Agency Activities**

As mentioned earlier, the Redevelopment Agency increased its total net assets by $7,160,000 in fiscal 2011 and $8,249,000 in fiscal 2010.

The Agency's receipt of incremental property taxes, that portion of property taxes generated from higher property values from earlier redevelopment activities, increased by $2,631,000 (11.01 percent) during fiscal 2011, and by $16,000 (.07 percent) in fiscal 2010. The lower investment interest income in fiscal 2011 compared to fiscal 2010 was caused by a continuing slide in interest rates.

Expenses increased by $3,251,000 (18 percent) during fiscal year 2011 compared to the prior year. The greatest single increase occurred in payments to the taxing entities. The Redevelopment Agency has agreements with these entities that payments to them move up or down with the incremental property tax received by the Agency. And the increased property taxes received drove these payments higher. Higher acquisition activities and miscellaneous projects also increased compared to fiscal 2010.

Expenses for fiscal 2010 decreased by $2,180,000 (11 percent) compared to fiscal 2009. The most significant change occurred in Public improvements. It decreased by $3,555,000 (81 percent) for fiscal 2010 compared to 2009 due to completion of large transmission line burial projects. Partially offsetting the large decrease in Public improvements was an increase in Payments to other taxing agencies which increased by $2,292,000 (42 percent) for fiscal 2010 compared to 2009.

## REDEVELOPMENT AGENCY OF SALT LAKE CITY
### Changes in net assets

| | Fiscal 2011 | Fiscal 2010 | Fiscal 2009 |
|---|---|---|---|
| Revenues | | | |
| Program revenues: | | | |
| Rental | $ 1,153,072 | $ 1,318,794 | $ 1,287,505 |
| General revenues: | | | |
| Property Taxes | 26,387,257 | 23,756,530 | 23,740,056 |
| Interest and investment valuation income | 1,179,508 | 1,313,579 | 2,476,862 |
| All other income | 179,959 | 349,155 | 194,185 |
| Total revenues | 28,899,796 | 26,738,058 | 27,698,608 |
| Expenses | | | |
| Public Improvements | 1,042,678 | 819,893 | 4,374,689 |
| Grants | 38,268 | 6,649 | 455,893 |
| Debt service interest and fiscal charges | 2,455,903 | 2,883,393 | 3,390,420 |
| Payments to other taxing entities | 9,478,725 | 7,775,060 | 5,483,340 |
| Loss on asset dispositions | - | - | 626,213 |
| Depreciation and amortization | 1,930,622 | 1,932,188 | 1,933,751 |
| All other activities | 6,793,849 | 5,071,519 | 4,404,854 |
| Total expenses | 21,740,045 | 18,488,702 | 20,669,160 |
| Increase in net assets | 7,159,751 | 8,249,356 | 7,029,448 |
| Net assets, beginning | 122,221,094 | 113,971,738 | 106,942,290 |
| Net assets, ending | $ 129,380,845 | $ 122,221,094 | $ 113,971,738 |

## Capital Asset and Debt Administration

**Capital asset** investments by the Redevelopment Agency of Salt Lake City consist of land, land improvements, buildings, construction in process and a small amount of equipment. The investment in capital assets, net of accumulated depreciation, increased by $3,825,000 in fiscal 2011 and by $5,544,000 in fiscal 2010. The largest component of change in both fiscal years was work in progress on the Utah Theatre and the Gallivan Center.

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**Capital Assets, net of depreciation**

| | Fiscal 2011 | Fiscal 2010 | Fiscal 2009 |
|---|---|---|---|
| Land and easement rights | $ 16,436,520 | $ 16,436,520 | $ 16,436,520 |
| Land improvements | 15,865,308 | 17,793,987 | 19,722,666 |
| Construction in progress | 13,496,030 | 7,740,707 | 265,020 |
| Equipment | 970 | 2,914 | 6,422 |
| Total | $ 45,798,828 | $ 41,974,128 | $ 36,430,628 |

Additional information relating to the capital assets of the Agency can be found in Note 5, beginning on page 16 of this report.

Long-term debt of the Agency totaled $10,475,000 and $13,218,000 at the end of fiscal 2011 and fiscal 2010, respectively. Fiscal 2011 and Fiscal 2010 consist almost entirely of revenue bonds which are secured by specified revenue sources. All three fiscal years shown in the following table contain amounts that are due to be paid on or before the end of following fiscal year.

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**Long term debt, net of premiums and discounts**

| | Fiscal 2011 | Fiscal 2010 | Fiscal 2009 |
|---|---|---|---|
| Other revenue bonds | $ 10,475,222 | $ 13,218,319 | $ 16,046,533 |
| Total | $ 10,475,222 | $ 13,218,319 | $ 16,046,533 |

Additional information on the Redevelopment Agency's long-term debt can be found in Note 6, beginning on page 17 of this report.

**Requests for information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Redevelopment Agency of Salt Lake City, 451 South State Street, Room 418, P.O. Box 145518 Salt Lake City Utah, 84114-5518.

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**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**(An Enterprise Fund of Salt Lake City Corporation)**
**BALANCE SHEETS**
**JUNE 30, 2011 and 2010**

| ASSETS | 2011 | 2010 |
|---|---|---|
| Current Assets: | | |
| Unrestricted cash and cash equivalents | $ 50,656,394 | $ 52,810,114 |
| Restricted cash and cash equivalents - current portion | 3,335,227 | - |
| Loans receivable-current portion, including interest receivable of $168,890 and $72,473, respectively | 1,462,440 | 1,398,063 |
| Prepaid expenses | 6,000 | - |
| Total current assets | 55,460,061 | 54,208,177 |
| Noncurrent Assets: | | |
| Capital assets, at cost: | | |
| Land and rights | 16,436,520 | 16,436,520 |
| Parking facilities and plaza | 45,954,186 | 45,954,186 |
| Office furniture and equipment | 104,302 | 104,302 |
| Construction in progress | 13,496,030 | 7,740,708 |
| Accumulated depreciation | (30,192,210) | (28,261,588) |
| Net capital assets | 45,798,828 | 41,974,128 |
| Bond issue costs, net of accumulated amortization of $986,808 and $957,956, respectively | 51,458 | 80,310 |
| Loans and other long-term receivables, net of unrealized gain of $64,240 and $76,150, respectively | 23,268,564 | 27,110,558 |
| Restricted cash and cash equivalents, net of current portion | 258,968 | 290,782 |
| Land and buildings held for resale, net | 36,766,675 | 36,361,830 |
| Total noncurrent assets | 60,345,665 | 63,843,480 |
| **Total assets** | $ 161,604,554 | $ 160,025,785 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | $ 1,370,708 | $ 734,877 |
| Related party deposits and advance rentals - current portion | 43,535 | 44,165 |
| Accrued compensation - current portion | 23,210 | 30,912 |
| Accrued interest payable - current portion | 5,514,630 | 5,413,985 |
| Bonds payable - current portion | 2,710,595 | 2,770,306 |
| Total current liabilities | 9,662,678 | 8,994,245 |
| Noncurrent Liabilities: | | |
| Accrued compensation, net of current portion | 83,869 | 111,937 |
| Related party deposits and advance rentals, net of current portion | 481,217 | 382,744 |
| Other post-employment benefits | 68,000 | 36,000 |
| Accrued interest payable, net of current portion | 14,163,318 | 17,831,752 |
| Bonds payable, net of premiums, defeasance and current portion | 7,764,627 | 10,448,013 |
| Total noncurrent liabilities | 22,561,031 | 28,810,446 |
| Total liabilities | 32,223,709 | 37,804,691 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | 45,798,828 | 41,974,128 |
| Restricted for debt service and undisbursed loan commitment held in escrow | 3,594,195 | 290,782 |
| Unrestricted | 79,987,822 | 79,956,184 |
| Total net assets | 129,380,845 | 122,221,094 |
| **Total liabilities and net assets** | $ 161,604,554 | $ 160,025,785 |

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

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**(An Enterprise Fund of Salt Lake City Corporation)**
**STATEMENTS OF REVENUES, EXPENSES**
**AND CHANGES IN NET ASSETS**
**FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

| | 2011 | 2010 |
|---|---|---|
| **Operating Revenues:** | | |
| Rental and other income | $ 1,153,072 | $ 1,318,794 |
| Interest income from loans receivable | 769,538 | 774,343 |
| Miscellaneous | 179,959 | 349,155 |
| **Total operating revenues** | 2,102,569 | 2,442,292 |
| **Operating Expenses:** | | |
| Plaza management | 658,255 | 572,324 |
| Public improvements | 1,042,678 | 767,234 |
| Property management | 798,008 | 616,180 |
| Acquisition expenses | 980,247 | 360,540 |
| Other projects | 2,830,646 | 2,187,858 |
| Administration | 1,503,661 | 1,356,276 |
| Depreciation | 1,930,622 | 1,932,188 |
| Payments to other taxing agencies | 9,478,725 | 7,775,060 |
| Grants | 38,268 | 6,649 |
| **Total operating expenses** | 19,261,110 | 15,574,309 |
| **Operating Loss** | (17,158,541) | (13,132,017) |
| **Nonoperating Revenues (Expenses):** | | |
| Property taxes | 26,387,257 | 23,756,530 |
| Property tax refunds | (23,032) | (31,000) |
| Interest income | 409,970 | 539,236 |
| Interest and fiscal charges | (2,455,903) | (2,883,393) |
| **Total nonoperating revenues (expenses)** | 24,318,292 | 21,381,373 |
| **Change in Net Assets** | 7,159,751 | 8,249,356 |
| **Net Assets Beginning of Year** | 122,221,094 | 113,971,738 |
| **Net Assets End of Year** | $ 129,380,845 | $ 122,221,094 |

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

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**(An Enterprise Fund of Salt Lake City Corporation)**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Cash received from customers | $ | 1,333,032 | $ | 1,667,949 |
| Cash paid to suppliers | | (15,715,443) | | (12,942,201) |
| Cash paid to employees | | (972,043) | | (806,477) |
| Loans disbursed | | (1,215,381) | | (2,262,393) |
| Principal collected on loans receivable | | 5,101,325 | | 3,547,693 |
| Interest collected on loans receivable | | 673,121 | | 753,343 |
| **Net cash used in operating activities** | | (10,795,389) | | (10,042,086) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Payments for acquisition of land held for sale | | (404,845) | | (4,051,831) |
| Payments for acquisition of capital assets | | (5,755,322) | | (7,475,688) |
| Principal payments on bonds payable | | (2,743,097) | | (2,828,214) |
| Interest and fiscal charges paid on bonds payable | | (6,023,692) | | (5,952,869) |
| **Net cash used in capital and related financing activities** | | (14,926,956) | | (20,308,602) |
| **Cash Flows from Noncapital and Related Financing Activities:** | | | | |
| Property taxes received | | 26,387,257 | | 23,756,530 |
| Cash settlement of property tax refund payable | | (23,032) | | (31,000) |
| Cash received (reimbursed) on deposit | | (630) | | (540) |
| Cash received (reimbursed) on deposit - related party | | 98,473 | | 155,895 |
| **Net cash provided by noncapital and related financing activities** | | 26,462,068 | | 23,880,885 |
| **Cash Flows from Investing Activities:** | | | | |
| Interest received from investments and cash and cash equivalents | | 409,970 | | 539,236 |
| **Net cash provided by investing activities** | | 409,970 | | 539,236 |
| **Net Change in Cash and Cash Equivalents** | | 1,149,693 | | (5,930,567) |
| **Cash and Cash Equivalents:** | | | | |
| **Beginning of year** | | 53,100,896 | | 59,031,463 |
| **End of year** | $ | 54,250,589 | $ | 53,100,896 |
| **Balance Sheet Presentation of Cash and Cash Equivalents:** | | | | |
| Unrestricted | $ | 50,656,394 | $ | 52,810,114 |
| Restricted - current portion | | 3,335,227 | | - |
| Restricted | | 258,968 | | 290,782 |
| **Total Cash and Cash Equivalents** | $ | 54,250,589 | $ | 53,100,896 |

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

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**(An Enterprise Fund of Salt Lake City Corporation)**
**STATEMENTS OF CASH FLOWS (CONTINUED)**
**FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

| | 2011 | 2010 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Used in Operating Activities:** | | |
| Operating loss | $ (17,158,541) | $ (13,132,017) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 1,930,622 | 1,932,188 |
| Amortization of bond issue costs | 28,852 | 35,935 |
| Recognition of gain on loans | (11,910) | (13,756) |
| Accrued interest on notes receivable | (96,416) | (21,000) |
| Increase (decrease) from changes in: | | |
| Accounts payable and accrued liabilities | 635,830 | (160,529) |
| Accrued compensation | (35,770) | 15,793 |
| Other post-employment benefits | 32,000 | 16,000 |
| Prepaid expenses | (6,000) | - |
| **Total** | (14,681,333) | (11,327,386) |
| Loans disbursed | (1,215,381) | (2,262,393) |
| Principal collected on loans | 5,101,325 | 3,547,693 |
| **Net cash used in operating activities** | $ (10,795,389) | $ (10,042,086) |

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

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Organization and History*—**The Redevelopment Agency of Salt Lake City (the "Agency") was established in 1969 by Salt Lake City Corporation (the "City") pursuant to the provisions of the Community Development and Renewal Agencies Act. The Agency is charged with the responsibility for the elimination of blight through the process of redevelopment in designated project areas. This objective is generally accomplished through: installation of public improvements, relocation of residents and businesses, grants and loans provided to residents and businesses for improvements, and acquisition and preparation of land sites and sale of such land for development by the private or public sector. As an incentive to a developer, the Agency may sell land for less than its cost or market value.

***Basis of Presentation*—**The Agency, an enterprise fund, is a blended component unit of the City and is included in the City's comprehensive annual financial report. The accompanying financial statements include certain funds which were established in accordance with bond requirements. The records of the Agency are maintained on the accrual basis of accounting.

***Cash and Cash Equivalents*—**The Agency considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

***Investments*—**Investments are shown at fair value, based upon quoted market prices. A portion of the Agency's investments at June 30, 2011 and 2010 are deposited in the pooled cash account of the City. The City's pooled cash account is invested primarily in the Public Treasurer's Investment Fund (the "Treasurer's Fund") which is not registered with the Securities and Exchange Commission. Regulatory oversight of the Treasurer's Fund is provided by the Money Management Council, which is subsequently monitored by the State of Utah. The fair market value of the Agency's position in the fund is the same as the value of the fund shares owned by the Agency.

***Allowance for Doubtful Receivables*—**The Agency has not experienced any significant bad debt expense in the past and as management does not believe there are any impairments with the loan portfolio at June 30, 2011 and 2010, no reserve for bad debt expense has been established.

***Capital Assets*—**Property, equipment, and land are carried at cost. Depreciation of equipment and structures is computed using the straight-line method over the estimated useful lives that range from 5 to 25 years. No depreciation is provided on construction in process until the construction project is complete and the asset is placed into service. When assets are retired or otherwise disposed of, costs and related accumulated depreciation, if any, are removed, and any resulting gain or loss is included in revenues or expenses. The capitalization threshold for capital assets is $5,000.

***Capitalization of Interest Costs*—**The Agency capitalizes, as a cost of capital assets that portion of its interest costs (net of any interest earned on related interest bearing investments acquired with proceeds of related tax-exempt borrowings) which represents interest incurred during the construction period on qualifying capital assets.

***Land and Buildings Held for Resale*****—**Land and buildings held for resale, purchased as part of the Agency's redevelopment efforts, are carried at the lower of cost or net realizable value. The cost of buildings and improvements that the Agency determines not to be recoverable are expensed. Gains and losses (including impairment) on land and buildings held for resale are included in revenues and expenses.

***Amortization of Bond Issuance Costs and Bond Discount or Premium*****—**Amortization of bond discount or premium is computed using the effective-interest method over the life of the related bonds. Bond issuance costs are recorded in the balance sheet as a deferred charge and amortized using the straight-line method over the lives of the underlying bonds. Amortization expense is included in interest expense.

***Property Taxes*****—**Property taxes received represent the portion of the incremental property tax in the designated area attributable to increases over the base year in which the property was designated as a redevelopment area.

***Revenue Recognition*****—**Revenue for services is recognized at the time the service is performed. Rental revenue, interest revenue from loans, and miscellaneous revenue are reported as operating revenues. Transactions which are capital, financing or investing related, including property tax revenues, are reported as non-operating revenues. All expenses related to operating the Agency are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

***Applicable Accounting Standards*****—**The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency has adopted GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The Agency has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

***Use of Estimates*****—**The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

***Reclassifications***—Certain 2010 amounts have been reclassified to conform with the current year presentation.  These reclassifications had no affect on the change in net assets.

## NOTE 2—CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30:

| | 2011 | 2010 |
|---|---|---|
| Cash and cash equivalents: | | |
| Money market accounts | $ 4,467,419 | $ 2,581,851 |
| Investments in the pooled investment account of Salt Lake City Corporation | 49,783,170 | 50,519,045 |
| | $ 54,250,589 | $ 53,100,896 |
| Financial statement presentation: | | |
| Unrestricted cash and cash equivalents | $ 50,656,394 | $ 52,810,114 |
| Restricted cash and cash equivalents - current portion | 3,335,227 | - |
| Restricted cash and cash equivalents | 258,968 | 290,782 |
| | $ 54,250,589 | $ 53,100,896 |

The Agency maintains funds in the City's pooled cash and investment accounts. The Agency pays the City or receives from the City an allocation of interest expense or income based upon its relative balance in the pooled accounts.

***Deposits***—It is the policy of Salt Lake City Corporation to invest public funds in accordance with principles of sound treasury management and in compliance with state and local laws, regulations, and other policies governing the investment of public funds, specifically according to the terms and conditions of the Utah State Money Management Act of 1974 and Rules of the State Money Management Council as currently amended (the "Act"), and the City's own written investment policy.

City policy provides that not more than 25 percent of the total City funds or 25 percent of the Qualified Depository's allotment, whichever is less can be invested in any one Qualified Depository. Not more than 20 percent of total City funds may be invested in any one certified out-of-state depository institution. However, there shall be no limitation placed on the amount invested with the Utah State Treasurer's Investment Pool (State Treasurer's Pool) and other money market mutual funds, provided that the overall standards of investments achieve the City's policy objectives. All of the Agency's deposits during the years ended June 30, 2011 and 2010 were made with Qualified Depositories.

***Deposit Custodial Credit Risk***—Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State of Utah does not require collateral on deposits. As of June 30, 2011 and 2010, none of the Agency's cash balance was covered by federal depository insurance. The Agency's cash balances of $54,250,589 and $53,100,896 as of June 30, 2011 and 2010, respectively, were uninsured and uncollateralized and therefore were exposed to some degree of custodial credit risk.

***Investments***—The Agency's investment balances as of June 30, 2011 and 2010, included in cash and cash equivalents, were $49,783,170 and $50,519,045, respectively.

The City may place public money in investments authorized by the Money Management Act (U.C.A 51-7-11). The Treasurer shall ensure that all purchases and sales of securities are settled within 15 days of the trade date. In general these investments can be any of the following subject to restrictions specified in the Act: Obligations of the U.S. Treasury and most Government-Sponsored Agencies; Commercial paper; Bankers Acceptances; Publicly traded fixed rate corporate obligations; Certain variable rate securities and deposits;

Deposits with the State Public Treasurer's Investment Pool; Certain fixed rate negotiable deposits with a qualified depository or through a certified dealer; Qualifying repurchase agreements; Open-end managed money market mutual funds; Utah State Treasurer's Investment Pool; and Investment with deferred compensation plan administrators.

The Agency did not enter into any reverse repurchase agreements during the years ended June 30, 2011 and 2010.

The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 3—RESTRICTED NET ASSETS**

Certain cash and cash equivalents and investments are restricted by provisions of the applicable bond resolutions adopted and entered into by the Agency (Note 6) and for cash held in escrow for undisbursed loan proceeds.

The following is a summary of restricted cash and cash equivalents and investments at June 30:

| | 2011 | 2010 |
|---|---|---|
| Cash held in escrow for undisbursed loans | $ 3,335,227 | $ - |
| Tax Increment Bond proceeds restricted for debt service under the related bond resolution in the event that no other funds are available | 258,867 | 289,210 |
| Restricted for Tax Increment Bond debt service under the related bond resolutions in the event that no other funds are available | 101 | 1,572 |
| Total restricted net assets | $ 3,594,195 | $ 290,782 |

**NOTE 4—LOANS AND OTHER LONG-TERM RECEIVABLES**

The following is a summary of loans and other long-term receivables at June 30:

| | 2011 | 2010 |
|---|---|---|
| Grant Square loans bearing interest at 5%, principal and interest due on sale or transfer of ownership of related property; collateralized by property. | $ - | $ 3,491 |
| Tax increment rehabilitation loans bearing interest from 0% to 5%. Principal and interest payable in monthly installments. | 10,884,911 | 14,166,244 |
| Loans bearing interest at 3% to 7%, interest payable monthly; collateralized by property, letters of credit, and restricted cash accounts; includes accrued interest of $75,417 and $0, respectively. | 9,571,544 | 10,073,729 |
| Housing loans bearing interest from 0% to 3%, with principal and interest due monthly; collateralized by property; includes accrued interest of $93,473 and $72,473 respectively. | 4,338,789 | 4,341,307 |
| Less unamortized discount on non-interest bearing loans of $150,000 due February 2026, $582,644 due May 2015, rate of 3% | (64,240) | (76,150) |
| Total | 24,731,004 | 28,508,621 |
| Less current portion | (1,462,440) | (1,398,063) |
| Total loans and other long-term receivables | $ 23,268,564 | $ 27,110,558 |

As of June 30, 2011 and 2010, the Agency had committed to, and approved funding for, additional loans totaling $3,531,708 and $1,072,589, which funds have not yet been disbursed. Of this amount, $3,335,257 had been placed into escrow by the Agency and is included in restricted cash as of June 30, 2011.

## NOTE 5—CAPITAL ASSETS

The following is a summary of transactions affecting capital assets for the year ended June 30, 2011:

| Description | Balance July 1, 2010 | Additions | Retirements | Balance June 30, 2011 |
|---|---|---|---|---|
| Office furniture and equipment | $ 104,302 | $ - | $ - | $ 104,302 |
| Parking facilities | 34,024,833 | - | - | 34,024,833 |
| Plaza | 11,929,353 | - | - | 11,929,353 |
| Construction in process | 7,740,708 | 5,755,322 | - | 13,496,030 |
| Land | 16,436,520 | - | - | 16,436,520 |
| Total | 70,235,716 | 5,755,322 | - | 75,991,038 |
| Accumulated depreciation: | | | | |
| Office furniture and equipment | (101,389) | (1,943) | - | (103,332) |
| Parking facilities | (20,594,224) | (1,381,883) | - | (21,976,107) |
| Plaza | (7,565,975) | (546,796) | - | (8,112,771) |
| Total accumulated depreciation | (28,261,588) | (1,930,622) | - | (30,192,210) |
| Net capital assets | $ 41,974,128 | $ 3,824,700 | $ - | $ 45,798,828 |

The following is a summary of transactions affecting capital assets for the year ended June 30, 2010:

| Description | Balance July 1, 2009 | Additions | Retirements | Balance June 30, 2010 |
|---|---|---|---|---|
| Office furniture and equipment | $ 104,302 | $ - | $ - | $ 104,302 |
| Parking facilities | 34,024,833 | - | - | 34,024,833 |
| Plaza | 11,929,353 | - | - | 11,929,353 |
| Construction in process | 265,020 | 7,475,688 | - | 7,740,708 |
| Land | 16,436,520 | - | - | 16,436,520 |
| Total | 62,760,028 | 7,475,688 | - | 70,235,716 |
| Accumulated depreciation: | | | | |
| Office furniture and equipment | (97,880) | (3,509) | - | (101,389) |
| Parking facilities | (19,212,341) | (1,381,883) | - | (20,594,224) |
| Plaza | (7,019,179) | (546,796) | - | (7,565,975) |
| Total accumulated depreciation | (26,329,400) | (1,932,188) | - | (28,261,588) |
| Net capital assets | $ 36,430,628 | $ 5,543,500 | $ - | $ 41,974,128 |

Land includes approximately $10,598,000 for Block 79, site of the Energy Solutions Arena sports complex. Block 79 was leased to Larry H. Miller Arena Corporation for 50 years at $1 per year. The lease will expire on June 7, 2040.

Land, parking facilities, construction in progress and plaza include approximately $40,708,000 of costs associated with the acquisition and construction of Block 57, site of a parking facility and a public plaza. During the year ended June 30, 2009, the Agency began renovations on the Block 57 public plaza. Costs for the renovation include architecture and engineering fees as of June 30, 2011 and 2011 were $6,965,724 and $1,150,588, respectively. These costs are included in construction in progress, along with additional construction projects in progress relating to the acquisition of land and buildings on Blocks 62 and 69. Land and parking facilities also include approximately $11,084,000 of costs associated with the acquisition of land and construction of a parking facility and walkway on Blocks 53 and 56.

## NOTE 6—BONDS PAYABLE

The following is a summary of bonds payable at June 30:

| | 2011 | 2010 |
|---|---|---|
| Bonds collateralized by a first pledge of taxes upon taxable property in the redevelopment project area: | | |
| Series December 5, 1990—capital appreciation bonds, 7.20% to 7.35%, due 2006 through 2015 | $ 5,757,494 | $ 7,487,799 |
| Series 2002 A, 2.12% to 5.05%, refunding bonds, due 2003 through 2015 | 4,795,000 | 5,835,000 |
| Plus unamortized premium Series 2002 A | 42,689 | 72,185 |
| Less deferred defeasance | (119,961) | (176,665) |
| Total bonds payable | 10,475,222 | 13,218,319 |
| Less amount due within one year | (2,710,595) | (2,770,306) |
| Total bonds payable less amount due within one year | $ 7,764,627 | $ 10,448,013 |

The following is a summary of transactions affecting bonds payable for the year ended June 30, 2011:

| | Balance, July 1, 2010 | Additions | Principal Payments and Reductions | Balance, June 30, 2011 | Due Within One Year |
|---|---|---|---|---|---|
| Serial Bonds Series December 5, 1990 Capital Appreciation Bonds | $ 7,487,799 | $ - | $ (1,730,305) | $ 5,757,494 | $ 1,610,595 |
| Refunding Bonds Series 2002A | 5,835,000 | - | (1,040,000) | 4,795,000 | 1,100,000 |
| Add unamortized premiums | 72,185 | - | (29,496) | 42,689 | - |
| Less deferred defeasance | (176,665) | - | 56,704 | (119,961) | - |
| Total Bond Obligations | $ 13,218,319 | $ - | $ (2,743,097) | $ 10,475,222 | $ 2,710,595 |

The following is a summary of transactions affecting bonds payable for the year ended June 30, 2010:

| | Balance, July 1, 2009 | Additions | Principal Payments and Reductions | Balance, June 30, 2010 | Due Within One Year |
|---|---|---|---|---|---|
| Serial Bonds Series December 5, | | | | | |
| 1990 Capital Appreciation Bonds | $ 9,346,751 | $ - | $ (1,858,952) | $ 7,487,799 | $ 1,730,306 |
| Refunding Bonds Series 2002A | 6,840,000 | - | (1,005,000) | 5,835,000 | 1,040,000 |
| Add unamortized premiums | 103,195 | - | (31,010) | 72,185 | - |
| Less deferred defeasance | (243,413) | - | 66,748 | (176,665) | - |
| Total Bond Obligations | $ 16,046,533 | $ - | $ (2,828,214) | $ 13,218,319 | $ 2,770,306 |

The following is a summary of changes in long-term interest payable for the years ended June 30, 2011 and 2010, which represents accreted interest on the 1990 Capital Appreciation Bonds:

| | Beginning Balance | Additions | Payments and Reductions | Year End Balance | Due Within One Year |
|---|---|---|---|---|---|
| 2011 | $ 23,142,759 | $ 2,105,971 | $ 5,654,695 | $ 19,594,035 | $ 5,430,717 |
| 2010 | $ 26,198,164 | $ 2,470,643 | $ 5,526,048 | $ 23,142,759 | $ 5,311,006 |

Several of the outstanding bonds are subject to redemption at the option of the Agency at specified dates after March 1, 2001, at redemption prices ranging from the principal amount up to the principal amount plus a premium, depending upon the specific terms of the Bond Series.

On April 1, 2002, the Agency issued $16,190,000 in revenue refunding bonds, with an average interest rate of 4.49 percent. The bond proceeds are being used to refund 2002 to 2015 principal payments of Revenue Bonds, Series 1992A and a portion of the 1990A used to finance the Agency activities. The Agency received net proceeds of $16,513,371, including an original issue premium of $407,235 and accrued interest to delivery of $57,164 (after payment of approximately $83,864 in underwriting fees and other issuance costs). These proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the portion of the 1992A and 1990A Series bonds that were advance refunded. On June 3, 2002, all the remaining principal 1992A and the serial portion of the 1990A bonds were redeemed.

The remainder of the Series December 5, 1990 bonds are a result of a financing agreement with the Utah Municipal Finance Cooperative ("MFA") in issuing the Utah Municipal Finance Cooperative Local Government Revenue Bonds ("Project Bonds"). The Project Bonds are special limited obligations of the MFA payable solely from amounts derived by the Agency under the financing agreement.

Bond issuance costs incurred as a result of the bond issuances are recorded in the balance sheet as a deferred charge and amortized over the lives of the underlying bonds. During the years ended June 30, 2011 and 2010, the Agency expensed $28,852 and $35,935, respectively, of amortization relating to the bond issuance costs.

Bond principal and interest maturities are as follows:

| Year ending June 30: | Principal | Interest | Total Obligation |
|---|---|---|---|
| 2012 | $ 2,710,595 | $ 6,026,143 | $ 8,736,738 |
| 2013 | 2,648,203 | 6,095,784 | 8,743,987 |
| 2014 | 2,614,887 | 6,137,938 | 8,752,825 |
| 2015 | 2,578,809 | 6,169,179 | 8,747,988 |
| Plus unamortized premium | 42,689 | - | 42,689 |
| Less deferred defeasance loss | (119,961) | - | (119,961) |
| Total | $ 10,475,222 | $ 24,429,044 | $ 34,904,266 |

## NOTE 7—PENSION PLANS

***Plan Description—***The Agency contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System ("Systems"). The Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

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

***Funding Policy—***Plan members in the Local Governmental Contributory Retirement system are required to contribute 6.0 percent of their annual covered salary (all or part may be paid by the employer for the employee) and the Agency is required to contribute 9.36 percent of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the Agency is required to contribute 13.37 percent of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions from all Salt Lake City Corporation entities to the Local Governmental Contributory Retirement System for the years ended June 30, 2011, 2010 and 2009 were $1,030,292, $1,005,104 and $1,092,052, respectively, and for the Local Governmental Noncontributory Retirement System the contributions for the years ended June 30, 2011, 2010 and 2009 were $11,589,370, $10,224,216 and $10,327,021, respectively. The contributions were equal to the required contributions for each year. Assets for the plans are not segregated by entity within the plan. Therefore, it is not possible to determine the portion of contributions applicable to each entity.

The Agency incurred $65,208, $59,906 and $54,500 of expense under the plans for the years ended June 30, 2011, 2010 and 2009, respectively.

## NOTE 8—OTHER POSTEMPLOYMENT BENEFITS

***Plan Description*****—**In addition to the pension benefits described in Note 7, the City provides postemployment health care and life insurance benefits, through a single employer defined benefit plan, to all employees who retire from the City and qualify to retire from the Systems. The benefits, benefit levels, employee contributions, and employer contributions are governed by City policy, and can be amended at any time. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the City's Risk Management Fund, an internal service fund.

***Funding Policy*****—**The City currently pays for postemployment benefits on a "pay-as-you-go" basis.

***Annual OPEB Cost and Net OPEB Obligation*****—**The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the employer's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the fiscal years ended June 30, 2011 and 2010, the Agency's annual OPEB cost (expense) of $32,000 and $24,000, respectively, was equal to the ARC. The following table shows the components of the Agency's annual OPEB cost for the years ended June 30, 2011 and 2010, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

| | 2011 | 2010 |
|---|---|---|
| OPEB | | |
| Annual required contribution | $ 32,000 | $ 24,000 |
| Interest on net OPEB obligation | - | - |
| Adjustments to annual required contribution | - | - |
| Annual OPEB cost (expense) | 32,000 | 24,000 |
| Contributions made | - | (8,000) |
| Increase in net OPEB obligation | 32,000 | 16,000 |
| Net OPEB obligations-beginning of year | 36,000 | 20,000 |
| Net OPEB obligations-end of year | $ 68,000 | $ 36,000 |

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2010 and 2011 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation Fiscal Year Ended |
|---|---|---|---|---|
| June 30, 2010 | $ 24,000 | $ 8,000 | 33.3% | $ 36,000 |
| June 30, 2011 | 32,000 | - | 0.0% | 68,000 |

***Funded Status and Funding Progress*****—**The funded status of the Agency's portion of the plan as of June 30, 2010 and 2011 was as follows:

| Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Liability UAAL (a-b) | Funded Ratio (a) / (b) | Annualized Covered Payroll | UAAL as percent of covered payroll |
|---|---|---|---|---|---|---|
| June 30, 2010 | $ - | $ 218,000 | $ 218,000 | 0.00% | $ 548,539 | 39.74% |
| June 30, 2011 | - | 218,000 | 218,000 | 0.00% | 567,205 | 38.43% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, presents the results of OPEB valuations as of June 30, 2010 and 2011 and looking forward; the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions*****—**Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the fiscal year 2011 and 2010 actuarial valuations, the unit credit method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) in 2011 and 2010. The valuations used an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. Covered payroll included a 3.5% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over an open thirty year period.

## NOTE 9—RELATED PARTY NOTE PAYABLE

As discussed in Note 5, the Agency owns parking facilities and a public plaza on Block 57, also known as The John W. Gallivan Utah Center (the Plaza). The Agency, along with other Block 57 property owners, is a member of the Gallivan Utah Center Owners Association, in which all members contribute funds to cover the maintenance costs of the Plaza. As of June 30, 2011 and 2010, funds held by the Agency for use in maintenance costs of the Plaza amounted to $524,752 and $426,909, respectively. These funds are reported as related party deposits and advance rentals.

## NOTE 10—COMMITMENTS AND CONTINGENCIES

The Agency has committed to assist Salt Lake City with debt service payments on various Sales Tax Revenue Bonds issued by the City, to the extent that funds from the Statutory Allocation Reduction Revenue are available.

The total anticipated payments are as follows:

| Year ending June 30: | | |
|---|---|---|
| 2012 | $ | 4,348,433 |
| 2013 | | 4,752,951 |
| 2014 | | 4,560,925 |
| 2015 | | 4,346,448 |
| Total | $ | 18,008,757 |

The Agency has committed to pay (to the extent that Agency tax increment funds are available from its Central Business District (CBD) project area) the Salt Lake City School District ("SLCSD") a portion of the CBD tax increment earned by the Agency on various Agency projects within the SLCSD boundaries.

The total anticipated payments are as follows:

| Year ending June 30: | | |
|---|---|---|
| 2012 | $ | 2,957,296 |
| 2013 | | 2,959,919 |
| 2014 | | 3,123,596 |
| 2015 | | 3,045,434 |
| Total | $ | 12,086,245 |

In 1998, the Agency entered into a reimbursement agreement with The Commons at Sugarhouse, L.C, a developer of a project located within the Agency's Sugarhouse Project Area. Under the agreement, the Agency may be obligated to repay to the developer, from the increment revenues received from the developed project, up to $2,000,000 plus accrued interest at 6.51% but not in excess of the tax increment revenues received through January 1, 2011. The obligation was subject to receipt of a certificate of completion, which was received in January 2000, and also subject to the developer paying property taxes on a timely basis. Based upon these terms, the Agency will record an expense upon receipt of tax increment revenues from the development project. For the years ended June 30, 2011 and 2010, the Agency recorded expense of $284,226 and $256,246, respectively. The last payment under the reimbursement agreement was made to the developer in April 2011 and no further payments are due.

During the year ended June 30, 2002, the Agency entered into a reimbursement agreement with Gateway Associates, a developer of a project located within the Agency's Depot District Project Area. Under the agreement, the Agency is obligated to repay to the developers, from the tax increment revenues received from the respective projects, up to $16,500,000 plus accrued interest, but not in excess of the tax increment revenues received from the individual projects. These obligations are also subject to the developers paying property taxes on a timely basis and the receipts of certificates of project completion. For the years ended June 30, 2011 and 2010, the Agency recorded expenses of $1,654,570 and $1,467,269, respectively.

During the year ended June 30, 2007, the Agency entered into a reimbursement agreement with Rio Grande Development, LLC, a developer of a project within the Agency's Depot District Project Area. Under this agreement, the Agency is obligated to repay to the developers, from the tax increment revenues received from the respective project, at the lesser of $2,020,000 or 37.5% of the Project Tax Increment over the reimbursement term, plus accrued interest, but not in excess of the tax increment revenues received from the individual projects. These obligations are also subject to the developers paying property taxes on a timely basis and the receipts of certificates of project completion. For the years ended June 30, 2011 and 2010, the Agency recorded expenses of $114,892 and $120,866, respectively.

During the year ended June 30, 2010, the Agency entered into a reimbursement agreement with 222 S. Main Investments, LLC, a developer of a project within the Agency's Central Business District Project Area. Under this agreement, the Agency is obligated to repay to the developers 85% of the tax increment revenues received by the RDA from the respective project up to the lesser of: 1) total developer costs less $127,300,000 or 2) $6,000,000, plus accrued interest of 5.9%, over the reimbursement term, which expires in January 2031. These obligations are also subject to the developers paying property taxes on a timely basis, the receipt of certificates of project completion, and annual certificates of compliance with the other terms of the Reimbursement Agreement. For the years ended June 30, 2011 and 2010, the Agency recorded expenses of $305,564 and $0, respectively.

In March, 2008, the Agency and the State of Utah entered into a lease agreement for the rental by the State of Utah of 250 parking stalls in a parking structure owned by the Agency. The lease requires monthly payments of $20 per stall, for a total of $5,000 per month. The lease term is 20 years. In addition, the lease includes a provision for the repayment of a portion of the construction costs to be paid by the State of Utah of $350,000 over the term of the parking rental agreement. The repayment terms requires interest of 3% and monthly payments of $2,077, in addition to the monthly rent payments. The balance of the unpaid amount as of June 30, 2011 and 2010 was $299,485 and $315,173, respectively, which has been recorded as a note receivable.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF FUNDING PROGRESS – RETIREE HEALTHCARE AND LIFE INSURANCE PLAN

### Plan Description

In addition to pension benefits provided, the Redevelopment Agency, as a component unit of Salt Lake City Corporation, provides postemployment health care to all current and future retirees. A life insurance benefit has not been provided for new retirees for several years and therefore is a small and shrinking factor in the Plan. The continuing benefits are provided through a single employer defined benefit plan through Salt Lake City Corporation to all employees who retire and qualify to retire from the Utah State Retirement Systems. The benefits, benefit levels and employee contributions are governed by Salt Lake City policy, and can be amended at any time. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report. The activity of the Plan is reported in the City's Risk Management Fund, an internal service fund.

### Funding Policy

The Redevelopment Agency currently pays for postemployment benefits on a "pay-as-you-go" basis and these financial statements assume that "pay-as-you-go" funding will continue.

### Schedule of Funding Progress for the Agency's Portion of the plan

| Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Liability UAAL (a-b) | Funded Ratio (a) / (b) | Annualized Covered Payroll | UAAL as percent of covered payroll |
|---|---|---|---|---|---|---|
| June 30, 2010 | $ - | $ 218,000 | $ 218,000 | 0.00% | $ 548,539 | 39.74% |
| June 30, 2011 | - | 218,000 | 218,000 | 0.00% | 567,205 | 38.43% |

### Actuarial Assumptions

In the Fiscal 2011 actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and an annual medical care trend rate of 10% initially for retirees under age 65, reduced by 0.5% per year until a rate of 5.0% is reached for 2019 and later years. For post 65 retirees, a 5.0% medical trend rate was assumed. Payroll costs have an assumed aggregate 3.5% increase per year. Because of the "pay as you go" funding policy, no actuarial value of assets was determined. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over a closed thirty year period.

## SUPPLEMENTAL INFORMATION

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**(An Enterprise Fund of Salt Lake City)**
**COMBINING BALANCE SHEET**
**INFORMATION BY PROJECT AREA**
**AS OF JUNE 30, 2011**

| | Downtown Projects | Program Income & Revolving Loan | Sugarhouse Project | West Temple Gateway | West Capitol Hill | Depot District | Citywide Housing | Project Area Housing | SARR | Retail Rebate | Granary District | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | | |
| Cash and cash equivalents (unrestricted) | $ 10,120,581 | $ 16,060,785 | $ 7,189,104 | $ 1,474,760 | $ 2,151,715 | $ 4,720,613 | $ 1,873,566 | $ 1,295,675 | $ 4,801,871 | $ - | $ 967,724 | $ 50,656,394 |
| Loans and other receivables | 3,812 | 20,388,403 | - | - | - | - | 4,338,789 | - | - | - | - | 24,731,004 |
| Cash and cash equivalent (restricted) | - | 3,335,227 | - | - | - | - | - | - | 258,968 | - | - | 3,594,195 |
| Land and water rights | 16,436,520 | - | - | - | - | - | - | - | - | - | - | 16,436,520 |
| Improvements other than buildings | 45,954,186 | - | - | - | - | - | - | - | - | - | - | 45,954,186 |
| Machinery and equipment | 104,302 | - | - | - | - | - | - | - | - | - | - | 104,302 |
| Work in progress | 12,713,592 | 205,696 | - | - | - | - | - | 576,742 | - | - | - | 13,496,030 |
| Accumulated depreciation and amortization | (30,192,210) | - | - | - | - | - | - | - | - | - | - | (30,192,210) |
| Bond issue costs, net of accumulated amortization | - | - | - | - | - | - | - | - | 51,458 | - | - | 51,458 |
| Land and buildings held for resale | 7,671,967 | 19,105,106 | - | 2,100,091 | 79,682 | 4,364,738 | - | 3,250,636 | - | - | 194,455 | 36,766,675 |
| Other assets | 6,000 | - | - | - | - | - | - | - | - | - | - | 6,000 |
| Total Assets | $ 62,818,750 | $ 59,095,217 | $ 7,189,104 | $ 3,574,851 | $ 2,231,397 | $ 9,085,351 | $ 6,212,355 | $ 5,123,053 | $ 5,112,297 | $ - | $ 1,162,179 | $ 161,604,554 |
| **Liabilities** | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | $ 1,050,571 | $ 34,575 | $ 74,553 | $ 12,933 | $ 3,144 | $ 194,932 | $ - | $ - | $ - | $ - | $ - | $ 1,370,708 |
| Current deposits | 43,535 | - | - | - | - | - | - | - | - | - | - | 43,535 |
| Accrued compensation - current portion | 23,210 | - | - | - | - | - | - | - | - | - | - | 23,210 |
| Accrued interest payable - current | - | - | - | - | - | - | - | - | 5,514,630 | - | - | 5,514,630 |
| Current portion - bonds payable | - | - | - | - | - | - | - | - | 2,710,595 | - | - | 2,710,595 |
| Accrued compensation, net of current portion | 83,869 | - | - | - | - | - | - | - | - | - | - | 83,869 |
| Related party deposits and advance rentals | 481,217 | - | - | - | - | - | - | - | - | - | - | 481,217 |
| Other post employment benefits | 68,000 | - | - | - | - | - | - | - | - | - | - | 68,000 |
| Accrued interest payable - long term | - | - | - | - | - | - | - | - | 14,163,318 | - | - | 14,163,318 |
| Advance from (to) other funds | 3,450,000 | (3,450,000) | - | - | - | - | - | - | - | - | - | - |
| Revenue bonds - long term | - | - | - | - | - | - | - | - | 7,764,627 | - | - | 7,764,627 |
| Total Liabilities | 5,200,402 | (3,415,425) | 74,553 | 12,933 | 3,144 | 194,932 | - | - | 30,153,170 | - | - | 32,223,709.00 |
| **Net Assets** | | | | | | | | | | | | |
| Net assets - Beginning | 60,123,509 | 61,678,535 | 6,468,617 | 3,423,036 | 2,070,923 | 7,595,992 | 6,245,558 | 4,781,798 | (31,207,351) | - | 1,040,477 | 122,221,094 |
| Revenues | 2,933,872 | 1,972,290 | 1,472,644 | 593,393 | 618,518 | 4,642,967 | 44,734 | 6,604 | 16,200,580 | 174,957 | 239,237 | 28,899,796 |
| Expenses | (5,597,808) | (1,140,183) | (682,439) | (396,011) | (400,550) | (2,887,602) | (472,397) | (59,809) | (9,834,102) | (174,957) | (94,187) | (21,740,045) |
| Net transfers in (out) | 158,775 | - | (144,271) | (58,500) | (60,638) | (460,938) | 394,460 | 394,460 | (200,000) | - | (23,348) | - |
| Total net assets and Liabilities | $ 62,818,750 | $ 59,095,217 | $ 7,189,104 | $ 3,574,851 | $ 2,231,397 | $ 9,085,351 | $ 6,212,355 | $ 5,123,053 | $ 5,112,297 | $ - | $ 1,162,179 | $ 161,604,554 |

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**

**(An Enterprise Fund Of Salt Lake City Corporation)**

**COMBINING STATEMENT OF REVENUES**
**AND EXPENDITURES BY PROJECT AREA**
**FOR THE YEAR ENDED JUNE 30, 2011**

| | Downtown Projects | Program Income and Revolving Loan | Sugarhouse Project | West Temple Gateway | West Capitol Hill | Depot District | Citywide Housing | Project Area Housing | SARR | Retail Rebate | Granary District | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | | | | | |
| Property taxes | $ 2,770,437 | $ - | $ 1,429,708 | $ 585,085 | $ 606,384 | $ 4,606,382 | $ - | $ - | $ 16,155,583 | $ - | $ 233,678 | $ 26,387,257 |
| Interest income | 145,736 | 842,860 | 41,936 | 8,305 | 12,134 | 26,643 | 44,734 | 6,604 | 44,997 | - | 5,559 | 1,179,508 |
| Rental and other income | 12,697 | 1,129,430 | 1,000 | 3 | - | 9,942 | - | - | - | - | - | 1,153,072 |
| Miscellaneous revenue | 5,002 | - | - | - | - | - | - | - | - | 174,957 | - | 179,959 |
| Total Revenue | 2,933,872 | 1,972,290 | 1,472,644 | 593,393 | 618,518 | 4,642,967 | 44,734 | 6,604 | 16,200,580 | 174,957 | 239,237 | 28,899,796 |
| Expense | | | | | | | | | | | | |
| Administration | 279,564 | 140,925 | 246,750 | 125,000 | 78,480 | 375,000 | 66,149 | 55,123 | 109,937 | 1,732 | 25,001 | 1,503,661 |
| Plaza Management | 6,460 | 651,795 | - | - | - | - | - | - | - | - | - | 658,255 |
| Land acquisition - disposition | 732,749 | (205,696) | 3,150 | 43,391 | 5,625 | 255,032 | 77,821 | 4,686 | - | - | 63,489 | 980,247 |
| Public Improvements | 605,464 | 10,199 | 86,475 | 24,257 | 257,663 | 18,054 | 39,517 | - | - | - | 1,049 | 1,042,678 |
| Property Management | 14,506 | 491,272 | 10,356 | 41,873 | 52,966 | 184,801 | - | - | - | - | 2,234 | 798,008 |
| Grants | 55,050 | (219,363) | 47,262 | 154,339 | 980 | - | - | - | - | - | - | 38,268 |
| Debt Service | - | - | - | - | - | - | - | - | 2,455,903 | - | - | 2,455,903 |
| Payments to other taxing endities | 1,662,263 | - | - | - | - | 281,354 | 288,910 | - | 7,246,198 | - | - | 9,478,725 |
| Depreciation and amortization | 1,930,622 | - | - | - | - | - | - | - | - | - | - | 1,930,622 |
| Property tax settlements | 919 | - | - | 13 | 36 | - | - | - | 22,064 | - | - | 23,032 |
| Other projects | 310,211 | 271,051 | 288,446 | 7,138 | 4,800 | 1,773,361 | - | - | - | 173,225 | 2,414 | 2,830,646 |
| Total Expense | 5,597,808 | 1,140,183 | 682,439 | 396,011 | 400,550 | 2,887,602 | 472,397 | 59,809 | 9,834,102 | 174,957 | 94,187 | 21,740,045 |
| Net transfers in (out) | 158,775 | - | (144,271) | (58,500) | (60,638) | (460,938) | 394,460 | 394,460 | (200,000) | - | (23,348) | - |
| Change in net assets | $ (2,505,161) | $ 832,107 | $ 645,934 | $ 138,882 | $ 157,330 | $ 1,294,427 | $ (33,203) | $ 341,255 | $ 6,166,478 | $ - | $ 121,702 | $ 7,159,751 |

**REDEVELOPMENT AGENCY OF SALT LAKE CITY**
**(An Enterprise Fund Of Salt Lake City Corporation)**
**SELECTED BUDGETARY INFORMATION**
**BY PROJECT AREA**
**YEAR ENDED JUNE 30, 2011**

| | Downtown Projects | Program Income and Revolving loan | Sugarhouse Project | West Temple Gateway | West Capitol Hill | Depot District | Citywide Housing | Project Area Housing | SARR | Retail Rebate | Granary District | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax increment collected | $ 2,770,437 | $ - | $ 1,429,708 | $ 585,085 | $ 606,384 | $ 4,606,382 | $ - | $ - | $ 16,155,583 | $ - | $ 233,678 | $ 26,387,257 |
| Loan principal received | - | 5,077,806 | - | - | - | - | 23,519 | - | - | - | - | 5,101,325 |
| Bonds payable | - | - | - | - | - | - | - | - | 10,475,222 | - | - | 10,475,222 |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | 2,455,903 | - | - | 2,455,903 |
| Debt principal paid | - | - | - | - | - | - | - | - | 2,770,306 | - | - | 2,770,306 |
| Origination of loans | - | 3,531,708 | - | - | - | - | - | - | - | - | - | 3,674,500 |
| Payments to other taxing entities | 1,662,263 | - | - | - | - | 281,354 | 288,910 | - | 7,246,198 | - | - | 9,478,725 |
| Public improvements | 605,464 | 10,199 | 86,475 | 24,257 | 257,663 | 18,054 | 39,517 | - | - | - | 1,049 | 1,042,678 |
| Plaza management | 6,460 | 651,795 | - | - | - | - | - | - | - | - | - | 658,255 |
| Property management | 14,506 | 491,272 | 10,356 | 41,873 | 52,966 | 184,802 | - | - | - | - | 2,234 | 798,009 |
| Budgetary transfers in (out) | (41,225) | - | (144,272) | (58,500) | (60,638) | (460,937) | 394,460 | 394,460 | - | - | (23,348) | - |
| Administration expense | 279,564 | 140,925 | 246,750 | 125,000 | 78,480 | 375,000 | 66,149 | 55,123 | 109,937 | 1,732 | 25,001 | 1,503,661 |
| Other redevelopment costs | 310,211 | 271,051 | 288,446 | 7,138 | 4,800 | 1,773,361 | - | - | - | 173,225 | 2,414 | 2,830,646 |