

CITY OF CEDAR HILLS
Financial Statements
June 30, 2012

CITY OF CEDAR HILLS

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June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Cedar Hills City
Cedar Hills, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Cedar Hills City, Utah (the City), as of and for the year ended June 30, 2012, 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.

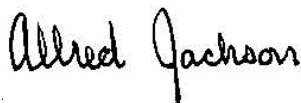
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2012, 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 a report dated December 18, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



North Logan, Utah
December 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cedar Hills, we offer readers of the City's financial statements this narrative, discussion, overview and analysis of the financial activities of the City of Cedar Hills for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cedar Hills exceeded the liabilities as of the close of the most recent year by \$41,703,893 (net assets). Of this amount, \$3,338,923 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In the general fund, revenues exceeded expenditures by \$297,719 before inter-fund transfers.
- At the close of the fiscal year, the fund balance of the general fund totaled \$744,461 of which \$13,193 is nonspendable, \$83,421 is restricted, and \$647,847 is unassigned. State statutes allow a maximum fund balance of 18 percent of next year's total budgeted general fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *statement of net assets* presents information on all of the assets and liabilities of the City with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the City 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from 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 the City include general government and administration, public safety, public works, parks, and recreation. The business-type activities of the City include water and sewer, motor pool, and the golf course.

Please refer to the table of contents for the location of the government-wide financial statements.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the 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 current sources and uses 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 a government's near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two 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 the general and capital projects funds, each of which are considered to be major funds.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

PROPRIETARY FUNDS

The City maintains three proprietary funds. 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 its water and sewer, golf course, and motor pool funds.

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 the water and sewer, golf course, and motor pool funds which are all considered to be major funds of the City.

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. The notes are part of the basic financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. Additional fund information for the governmental and the enterprise funds is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedar Hills, assets exceed liabilities by \$41,703,893 (net assets) at the close of the most recent fiscal year.

The majority of the City's net assets (approximately 92 percent) represent resources that are invested in capital assets or are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,338,923 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2012, the City is able to report positive balances in all three categories of net assets for the government as a whole as well as for its separate governmental activities.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>2012 Total</u> | <u>2011 Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|----------------------|
| Assets | | | | |
| Current and other assets | \$ 6,097,214 | \$ 1,012,592 | \$ 7,109,806 | \$ 11,850,430 |
| Capital assets | \$ 12,701,003 | \$ 39,245,224 | \$ 51,946,227 | \$ 50,216,661 |
| Total assets | <u>\$ 18,798,217</u> | <u>\$ 40,257,816</u> | <u>\$ 59,056,033</u> | <u>\$ 62,067,091</u> |
| Liabilities | | | | |
| Long-term liabilities | \$ 2,062,704 | \$ 13,696,048 | \$ 15,758,752 | \$ 16,841,663 |
| Other liabilities | \$ 732,909 | \$ 860,479 | \$ 1,593,388 | \$ 3,468,835 |
| Total liabilities | <u>\$ 2,795,613</u> | <u>\$ 14,556,527</u> | <u>\$ 17,352,140</u> | <u>\$ 20,310,498</u> |
| Net assets | | | | |
| Invested in capital assets, net of debt | \$ 10,666,004 | \$ 25,597,441 | \$ 36,263,445 | \$ 33,572,478 |
| Restricted | \$ 1,449,079 | \$ 652,446 | \$ 2,101,525 | \$ 5,028,577 |
| Unrestricted | \$ 3,887,521 | \$ (548,598) | \$ 3,338,923 | \$ 3,155,538 |
| Total net assets | <u>\$ 16,002,604</u> | <u>\$ 25,701,289</u> | <u>\$ 41,703,893</u> | <u>\$ 41,756,593</u> |

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City's net assets by \$2,483,580, because of a planned transfer to business-type activities to fund the construction of the City's community recreation center.

Property tax collections increased by \$35,554 from \$835,359 in 2011 to \$870,913 in 2012. This small increase is the result of new growth.

Sales and use tax collections increased by \$96,252 from \$954,063 in 2011 to \$1,050,315 in 2012. This increase is due to Utah's improving economy.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>2012 Total</u> | <u>2011 Total</u> |
|----------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|
| Revenues | | | | |
| Charges for services | \$ 916,583 | \$ 3,458,655 | \$ 4,375,238 | \$ 3,931,082 |
| Operating grants & contributions | \$ 302,851 | \$ - | \$ 302,851 | \$ 263,084 |
| Capital grants & contributions | \$ 11,307 | \$ - | \$ 11,307 | \$ 118,589 |
| Property tax | \$ 870,913 | \$ 396,862 | \$ 1,267,775 | \$ 1,233,698 |
| Sales tax | \$ 1,050,315 | \$ - | \$ 1,050,315 | \$ 954,063 |
| Franchise tax | \$ 462,371 | \$ - | \$ 462,371 | \$ 471,635 |
| CARE tax | \$ 35,949 | \$ - | \$ 35,949 | \$ 33,308 |
| Interest income | \$ 35,810 | \$ 8,823 | \$ 44,633 | \$ 41,807 |
| Transfers | \$ (2,325,675) | \$ 2,325,675 | \$ - | \$ - |
| Total revenues and transfers | <u>\$ 1,360,424</u> | <u>\$ 6,190,015</u> | <u>\$ 7,550,439</u> | <u>\$ 7,047,266</u> |
| Expenses | | | | |
| General government | \$ 1,311,205 | \$ - | \$ 1,311,205 | \$ 1,044,948 |
| Public safety | \$ 888,591 | \$ - | \$ 888,591 | \$ 775,455 |
| Parks and recreation | \$ 495,620 | \$ - | \$ 495,620 | \$ 454,437 |
| Streets and public works | \$ 785,921 | \$ - | \$ 785,921 | \$ 810,647 |
| Solid waste and recycling | \$ 258,396 | \$ - | \$ 258,396 | \$ 336,205 |
| Interest on long-term debt | \$ 104,271 | \$ - | \$ 104,271 | \$ 103,491 |
| Water and sewer | \$ - | \$ 2,965,490 | \$ 2,965,490 | \$ 2,890,749 |
| Golf course | \$ - | \$ 1,423,647 | \$ 1,423,647 | \$ 1,258,176 |
| Total expenses | <u>\$ 3,844,004</u> | <u>\$ 4,389,137</u> | <u>\$ 8,233,141</u> | <u>\$ 7,674,108</u> |
| Change in net assets | \$ (2,483,580) | \$ 1,800,878 | \$ (682,702) | \$ (626,841) |
| Net assets, beginning of year | <u>\$ 18,486,184</u> | <u>\$ 23,900,411</u> | <u>\$ 42,386,595</u> | <u>\$ 42,383,434</u> |
| Net assets, end of year | <u>\$ 16,002,604</u> | <u>\$ 25,701,289</u> | <u>\$ 41,703,893</u> | <u>\$ 41,756,593</u> |

LONG-TERM DEBT

The City of Cedar Hills has \$5,510,000 of general obligation debt as of June 30, 2012. The City also has three utility revenue bonds, an excise tax revenue bond, a note payable, and two capital leases.

The general obligation refunding bond was obtained in 2005 in the amount of \$6,250,000. The original debt was used to construct the City's golf course. The current principal balance on this bond is \$5,510,000. The City refinanced this bond in December 2012 to take advantage of current market rates on municipal bonds.

The first utility revenue bond was obtained in 2006 in the amount of \$6,215,000 to construct the pressurized irrigation system. The current principal balance of this bond is \$5,080,000.

The second utility revenue bond was obtained in 2007 in the amount of \$2,090,000 for the development of a redundant culinary well. The current principal balance of this bond is \$1,756,000.

The third utility revenue bond was obtained in 2009 in the amount of \$930,000 for improvements to the pressurized irrigation system. The current principal balance of this bond is \$845,000.

The excise tax revenue bond was obtained in 2006 in the amount of \$2,325,000 for the construction of a public works facility. The current principal balance of this bond is \$2,035,000.

The City of Cedar Hills received an upgrade to the "AA-" rating from Standard Poor's and Fitch Ratings for general obligation debt and utility revenue bonds.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$1,800,878 due to the transfer from governmental activities for the construction of the community recreation center.

Utility rates stayed the same from July 2011 to June 2012.

For more details, see the Statement of Revenues, Expenses, and Changes in Net Assets.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the year, the City of Cedar Hills' governmental funds reported combined ending fund balances of \$4,668,141. Approximately 15 percent of this amount, \$647,847 constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has an external restriction, or it has been designated by the governing body 1) \$493,719 to pay for roads, 2) \$3,225,800 to pay for parks and recreation, 3) \$287,582 to pay for debt service, and 4) \$13,193 prepaid for future expenses.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$647,847. Total fund balance was \$744,461. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 20 percent of the total general fund expenditures.

PROPRIETARY FUNDS

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

Unrestricted net assets of the respective proprietary funds are Water and Sewer \$1,177,034, Golf Course (\$1,732,250), and Motor Pool Fund \$13,236.

BUDGETARY HIGHLIGHTS

The difference between the original general fund budget (adopted June 2011) and the final general fund amended budget was \$40,000. This may be summarized as follows:

- \$40,000 increase in General Government—legal services
- \$8,000 increase in General Government—audit services
- \$8,000 increase in General Government—administrative services
- \$40,000 decrease in Public Safety—fire services
- \$4,000 increase in Public Works—professional services
- \$20,000 increase in Parks and Recreation—recreational equipment

CAPITAL ASSETS

The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the City.

Major capital asset events during the year included the following:

- \$2,233,787 to finish construction of the community recreation facilities
- \$310,052 for 4800 West water and sewer system improvements
- \$251,418 to purchase a dump truck and other city maintenance vehicles
- \$74,969 for a hillside remediation project
- \$47,201 to finish the basement of the Public Works Building
- \$36,245 for Heritage park basketball court

| Capital Assets | Governmental Activities | Business-Type Activities | 2012 Total | 2011 Total |
|---------------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|
| Land | \$ 3,416,650 | \$ 3,810,023 | \$ 7,226,673 | \$ 7,226,673 |
| Construction in progress | - | 16,866 | 16,866 | 676,944 |
| Buildings | 2,846,103 | 2,697,035 | 5,543,138 | 2,882,852 |
| Improvements | 4,191,457 | 7,778,644 | 11,970,101 | 11,811,928 |
| Vehicles | 372,887 | 372,887 | 745,774 | 521,166 |
| Equipment | 34,558 | 824,572 | 859,130 | 839,367 |
| Infrastructure (roads and sidewalks) | 3,874,517 | - | 3,874,517 | 3,863,243 |
| Water, sewer, and storm drain systems | - | 29,015,218 | 29,015,218 | 28,523,813 |
| Accumulated depreciation | (2,035,169) | (8,581,580) | (10,616,749) | (9,440,884) |
| Water stock | - | 3,311,559 | 3,311,559 | 3,311,559 |
| Total | \$ 12,701,003 | \$ 39,245,224 | \$ 51,946,227 | \$ 50,216,661 |

Additional information on the City of Cedar Hills' capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonded debt outstanding of \$15,226,000, a note payable of \$336,113, and capital leases totaling \$120,651 for total long-term debt outstanding of \$15,682,784. Refer to long-term debt notes for information on how the debt is secured.

| Outstanding Debt | Governmental Activities | Business-Type Activities | 2012 Total | 2011 Total |
|--------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|
| Revenue bonds | \$ 2,035,000 | \$ 7,681,000 | \$ 9,716,000 | \$ 10,473,000 |
| General obligation bonds | \$ - | \$ 5,510,000 | \$ 5,510,000 | \$ 5,655,000 |
| Notes payable | \$ - | \$ 336,133 | \$ 336,133 | \$ 336,133 |
| Capital leases | \$ - | \$ 120,651 | \$ 120,651 | \$ 289,554 |
| Total | \$ 2,035,000 | \$ 13,647,784 | \$ 15,682,784 | \$ 16,753,687 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current general obligation debt limitation for the City is \$42,101,279. The City of Cedar Hills has \$5,510,000 in general obligation debt and \$10,172,784 in other debt.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Cedar Hills will experience a slight increase in new homes and commercial growth. Consequently, growth related revenues will be more than the previous year.
- The national fiscal uncertainty may slow down improved sales tax revenue growth generated statewide.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of The City of Cedar Hills' finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Cedar Hills, City Manager, 10246 N Canyon Road, Cedar Hills, Utah 84062.

BASIC FINANCIAL STATEMENTS

CITY OF CEDAR HILLS

Statement of Net Assets

June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 1,377,683 | \$ 1,504,642 | \$ 2,882,325 |
| Restricted cash and cash equivalents | 1,449,078 | 652,446 | 2,101,524 |
| Tax receivables | 728,345 | 384,570 | 1,112,915 |
| Intergovernmental receivables | 279,887 | - | 279,887 |
| Other receivables (net of allowance for uncollectibles) | 106,645 | 254,990 | 361,635 |
| Internal balances | 2,069,358 | (2,069,358) | - |
| Inventories and prepaid items | 17,121 | 60,076 | 77,197 |
| Capital assets: | | | |
| Land, and construction in progress | 3,416,650 | 3,826,889 | 7,243,539 |
| Buildings, improvements, equipment, and other depreciable assets, net of accumulated depreciation | 9,284,354 | 32,106,777 | 41,391,131 |
| Bond issuance costs, net of accumulated amortization | 69,096 | 225,225 | 294,321 |
| Water stock | - | 3,311,559 | 3,311,559 |
| Total assets | <u>18,798,217</u> | <u>40,257,816</u> | <u>59,056,033</u> |
| Liabilities: | | | |
| Accounts payable | 582,350 | 607,314 | 1,189,664 |
| Accrued expenses | 106,011 | 46,273 | 152,284 |
| Accrued interest | 44,548 | 206,892 | 251,440 |
| Long-term liabilities: | | | |
| Portion due or payable within one year | 78,852 | 581,686 | 660,538 |
| Portion due or payable after one year | 1,983,852 | 13,114,362 | 15,098,214 |
| Total liabilities | <u>2,795,613</u> | <u>14,556,527</u> | <u>17,352,140</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 10,666,004 | 25,597,441 | 36,263,445 |
| Restricted for: | | | |
| Debt service | 287,582 | 317,232 | 604,814 |
| Parks and recreation | 667,778 | - | 667,778 |
| Streets | 493,719 | - | 493,719 |
| Water and sewer improvements | - | 335,214 | 335,214 |
| Unrestricted | 3,887,521 | (548,598) | 3,338,923 |
| Total net assets | <u>\$ 16,002,604</u> | <u>\$ 25,701,289</u> | <u>\$ 41,703,893</u> |

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

CITY OF CEDAR HILLS

Statement of Activities

Year Ended June 30, 2012

| Activities / Functions | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net assets | | |
|-------------------------------------|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 1,311,205 | \$ 55,225 | \$ - | \$ - | \$ (1,255,980) | | \$ (1,255,980) |
| Public safety | 888,591 | 184,564 | 40,514 | - | (663,513) | | (663,513) |
| Parks and recreation | 495,620 | 172,664 | - | 11,307 | (311,649) | | (311,649) |
| Streets and public works | 785,921 | 93,972 | 262,337 | - | (429,612) | | (429,612) |
| Solid waste and recycling | 258,396 | 410,158 | - | - | 151,762 | | 151,762 |
| Interest on long-term debt | 104,271 | - | - | - | (104,271) | | (104,271) |
| Total governmental activities | 3,844,004 | 916,583 | 302,851 | 11,307 | (2,613,263) | | (2,613,263) |
| Business-type activities: | | | | | | | |
| Golf course | 1,423,647 | 704,056 | - | - | - | \$ (719,591) | (719,591) |
| Water and sewer | 2,965,490 | 2,754,599 | - | - | - | (210,891) | (210,891) |
| Total business-type activities | 4,389,137 | 3,458,655 | - | - | - | (930,482) | (930,482) |
| Total County | \$ 8,233,141 | \$ 4,375,238 | \$ 302,851 | \$ 11,307 | (2,613,263) | (930,482) | (3,543,745) |
| General revenue: | | | | | | | |
| Property taxes | | | | | 870,913 | 396,862 | 1,267,775 |
| Sales taxes | | | | | 1,050,315 | - | 1,050,315 |
| Franchise taxes | | | | | 462,371 | - | 462,371 |
| CARE taxes | | | | | 35,949 | - | 35,949 |
| Total taxes | | | | | 2,419,548 | 396,862 | 2,816,410 |
| Unrestricted investment earnings | | | | | 35,810 | 8,823 | 44,633 |
| Transfers | | | | | (2,325,675) | 2,325,675 | - |
| Total general revenue and transfers | | | | | 129,683 | 2,731,360 | 2,861,043 |
| Changes in net assets | | | | | (2,483,580) | 1,800,878 | (682,702) |
| Net assets - beginning | | | | | 18,486,184 | 23,900,411 | 42,386,595 |
| Net assets - ending | | | | | \$ 16,002,604 | \$ 25,701,289 | \$ 41,703,893 |

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

CITY OF CEDAR HILLS

Balance Sheet

Governmental Funds

June 30, 2012

| | General | Capital Projects | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 573,447 | \$ 758,921 | \$ 1,332,368 |
| Restricted cash and cash equivalents | 83,421 | 1,365,657 | 1,449,078 |
| Tax receivables | 728,345 | - | 728,345 |
| Intergovernmental receivables | 268,580 | 11,307 | 279,887 |
| Other receivables (net of allowance for uncollectibles) | 105,627 | 1,018 | 106,645 |
| Due from other funds | - | 2,069,358 | 2,069,358 |
| Prepaid items | 13,193 | - | 13,193 |
| Total assets | <u>\$ 1,772,613</u> | <u>\$ 4,206,261</u> | <u>\$ 5,978,874</u> |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 257,144 | \$ 282,581 | \$ 539,725 |
| Accrued salaries, wages, and benefits | 37,655 | - | 37,655 |
| Deferred revenue | 664,997 | - | 664,997 |
| Other payables | 68,356 | - | 68,356 |
| Total liabilities | <u>1,028,152</u> | <u>282,581</u> | <u>1,310,733</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepaid expenditures | 13,193 | - | 13,193 |
| Restricted for: | | | |
| Debt service--public works building | - | 287,582 | 287,582 |
| Parks and recreation | 83,421 | 584,357 | 667,778 |
| Streets | - | 493,719 | 493,719 |
| Assigned to: | | | |
| Parks and recreation | - | 2,558,022 | 2,558,022 |
| Unassigned | 647,847 | - | 647,847 |
| Total fund balances | <u>744,461</u> | <u>3,923,680</u> | <u>4,668,141</u> |
| Total liabilities and fund balances | <u>\$ 1,772,613</u> | <u>\$ 4,206,261</u> | <u>\$ 5,978,874</u> |

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

CITY OF CEDAR HILLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2012

| | | |
|---|----|-----------|
| Total fund balances for governmental funds | \$ | 4,668,141 |
|---|----|-----------|

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

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

| | | | |
|--|----|-----------|------------|
| Land | \$ | 3,416,650 | |
| Construction in progress | | - | |
| Buildings, net of accumulated depreciation of \$450,217 | | 2,395,886 | |
| Improvements, net of accumulated depreciation of \$1,026,298 | | 3,165,159 | |
| Equipment, net of accumulated depreciation of \$26,769 | | 7,789 | |
| Infrastructure (roads and sidewalks), net of accumulated depreciation of \$363,298 | | 3,511,219 | 12,496,703 |

| | | |
|--|--|---------|
| Some of the County's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. | | 664,997 |
|--|--|---------|

| | | |
|---|--|---------|
| Internal service funds are used by the County to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position. Internal service fund net assets are: | | 210,919 |
|---|--|---------|

| | | |
|--|--|--------|
| Bond issuance costs are reported as current expenditures at the fund level, but are deferred and amortized over the life of the bonds in the statement of net assets, net of accumulated amortization of \$22,221. | | 69,096 |
|--|--|--------|

| | | |
|---|--|----------|
| Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Accrued interest for long-term debt is: | | (44,548) |
|---|--|----------|

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|--|-------------|----------------------|
| Excise tax revenue bonds | (2,035,000) | |
| Compensated absences payable | (27,704) | (2,062,704) |
| Total net assets of governmental activities | | \$ 16,002,604 |

CITY OF CEDAR HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2012

| | General | Capital Projects | Total Governmental Funds |
|--|-------------------|---------------------|--------------------------------|
| REVENUES: | | | |
| Property taxes | \$ 835,916 | \$ - | \$ 835,916 |
| Sales taxes | 1,050,315 | - | 1,050,315 |
| Franchise taxes | 462,371 | - | 462,371 |
| CARE taxes | 35,949 | - | 35,949 |
| Licenses and permits | 73,247 | - | 73,247 |
| Intergovernmental and grants | 302,852 | 11,307 | 314,159 |
| Charges for services | 589,552 | - | 589,552 |
| Fees | 93,596 | 126,622 | 220,218 |
| Investment earnings | 4,470 | 31,340 | 35,810 |
| Miscellaneous | 33,565 | - | 33,565 |
| Total revenues | <u>3,481,833</u> | <u>169,269</u> | <u>3,651,102</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 1,037,467 | 182,950 | 1,220,417 |
| Public safety | 888,591 | - | 888,591 |
| Streets and public works | 653,114 | - | 653,114 |
| Solid waste and recycling | 258,396 | - | 258,396 |
| Parks and recreation | 346,546 | - | 346,546 |
| Debt service: | | | |
| Principal | - | 465,000 | 465,000 |
| Interest and fiscal charges | - | 109,567 | 109,567 |
| Capital outlay: | | | |
| Streets and public works | - | 140,385 | 140,385 |
| Parks and recreation | - | 51,362 | 51,362 |
| Total expenditures | <u>3,184,114</u> | <u>949,264</u> | <u>4,133,378</u> |
| Excess (deficiency) of revenues over (under) expenditures | 297,719 | (779,995) | (482,276) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | 422,303 | 422,303 |
| Transfers out | (477,322) | (2,366,656) | (2,843,978) |
| Total other financing sources (uses) | <u>(477,322)</u> | <u>(1,944,353)</u> | <u>(2,421,675)</u> |
| Net change in fund balances | (179,603) | (2,724,348) | (2,903,951) |
| Fund balances - beginning | 924,064 | 6,648,028 | 7,572,092 |
| Fund balances - ending | <u>\$ 744,461</u> | <u>\$ 3,923,680</u> | <u>\$ 4,668,141</u> |

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

CITY OF CEDAR HILLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net change in *fund balances* - total governmental funds \$ (2,903,951)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, capital assets are capitalized and depreciated over their useful lives. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 158,415 | |
| Depreciation expense | <u>(280,177)</u> | (121,762) |

Certain revenues (property taxes) that are collected several months after the County's fiscal year end are not considered as available revenues in the governmental funds and are, instead, counted as deferred revenues. They are however, recorded as revenues in the statement of activities. 34,997

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the statement of net assets. Repayment of debt is an expenditure in the governmental funds, but the repay reduces long-term liabilities in the statement of net assets.

| | | |
|--|----------------|---------|
| Accrued interest | 5,296 | |
| Principal retirement of bonds and obligations under capital leases | 465,000 | |
| Amortization of bond issuance costs | <u>(3,653)</u> | 466,643 |

In the statement of activities, certain operating expenses for compensated absences (for unpaid vacation and compensatory time) are recorded as costs are incurred during the year. In the governmental funds, these obligations are recorded when they mature or when they are paid. Changes in these obligations during the year are as follows:

| | | |
|--------------------------------|--|--------|
| Compensated absence obligation | | 14,051 |
|--------------------------------|--|--------|

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental 26,442

Change in net assets of governmental activities **\$ (2,483,580)**

CITY OF CEDAR HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 831,500 | \$ 851,500 | \$ 835,916 | \$ (15,584) |
| Sales taxes | 1,000,000 | 1,000,000 | 1,050,315 | 50,315 |
| Other | 520,000 | 520,000 | 498,320 | (21,680) |
| Total taxes | 2,351,500 | 2,371,500 | 2,384,551 | 13,051 |
| Licenses and permits | 95,000 | 95,000 | 73,247 | (21,753) |
| Intergovernmental and grants | 302,150 | 302,150 | 302,852 | 702 |
| Charges for services | 668,000 | 668,000 | 683,149 | 15,149 |
| Investment earnings | 10,000 | 10,000 | 4,470 | (5,530) |
| Miscellaneous | 22,000 | 22,000 | 33,565 | 11,565 |
| Total revenues | 3,448,650 | 3,468,650 | 3,481,834 | 13,184 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 971,150 | 1,027,150 | 1,037,467 | (10,317) |
| Public safety | 933,750 | 893,750 | 888,591 | 5,159 |
| Streets and public works | 703,550 | 707,550 | 653,115 | 54,435 |
| Solid waste and recycling | 324,250 | 324,250 | 258,396 | 65,854 |
| Parks and recreation | 360,900 | 380,900 | 346,546 | 34,354 |
| Total expenditures | 3,293,600 | 3,333,600 | 3,184,115 | 149,485 |
| Excess (deficiency) of revenues over (under) expenditures | 155,050 | 135,050 | 297,719 | 162,669 |
| Other financing uses: | | | | |
| Transfers out | (286,400) | (786,400) | (477,322) | 309,078 |
| Total other financing uses | (286,400) | (786,400) | (477,322) | 309,078 |
| Net change in fund balance | (131,350) | (651,350) | (179,603) | 471,747 |
| Fund balances - beginning | 924,064 | 924,064 | 924,064 | - |
| Fund balances - ending | \$ 792,714 | \$ 272,714 | \$ 744,461 | \$ 471,747 |

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

CITY OF CEDAR HILLS

Statement of Net Assets

Proprietary Funds

June 30, 2012

| | Business-type Activities | | Total Enterprise Funds | Governmental Activities |
|--|--------------------------|----------------|------------------------------|--|
| | Water & Sewer | Golf Course | | Internal Service Fund Motor Pool |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,459,327 | \$ - | \$ 1,459,327 | \$ 90,630 |
| Property tax receivable | - | 384,570 | 384,570 | - |
| Accounts receivable, net of allowance | 254,990 | - | 254,990 | - |
| Inventories | - | 33,335 | 33,335 | - |
| Prepaid items | 11,085 | 11,728 | 22,813 | 7,855 |
| Total current assets | 1,725,402 | 429,633 | 2,155,035 | 98,485 |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | 652,446 | - | 652,446 | - |
| Capital assets: | | | | |
| Land | - | 3,810,023 | 3,810,023 | - |
| Buildings and improvements | - | 10,475,679 | 10,475,679 | - |
| Vehicles and equipment | - | 824,572 | 824,572 | 745,773 |
| Water, sewer, and storm drain systems | 29,015,218 | - | 29,015,218 | - |
| Construction-in-progress | 16,866 | - | 16,866 | - |
| Accumulated depreciation | (6,467,917) | (1,945,076) | (8,412,993) | (337,173) |
| Bond costs, net | 133,715 | 91,510 | 225,225 | - |
| Water stock | 3,311,559 | - | 3,311,559 | - |
| Total noncurrent assets | 26,661,887 | 13,256,708 | 39,918,595 | 408,600 |
| Total assets | 28,387,289 | 13,686,341 | 42,073,630 | 507,085 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 513,527 | 51,162 | 564,689 | 85,249 |
| Accrued wages payable | 23,766 | 22,507 | 46,273 | - |
| Accrued interest payable | 106,808 | 100,084 | 206,892 | - |
| Notes payable - current | 78,387 | - | 78,387 | - |
| Due to other funds | - | 2,069,358 | 2,069,358 | - |
| Compensated absences | 18,991 | 5,141 | 24,132 | - |
| Obligations under capital leases - current | - | 30,167 | 30,167 | - |
| Bonds payable - current | 299,000 | 150,000 | 449,000 | - |
| Total current liabilities | 1,040,479 | 2,428,419 | 3,468,898 | 85,249 |
| Noncurrent liabilities: | | | | |
| Compensated absences | 18,991 | 5,141 | 24,132 | - |
| Obligations under capital leases | - | 90,484 | 90,484 | - |
| Notes payable | 257,746 | - | 257,746 | - |
| Bonds payable | 7,382,000 | 5,360,000 | 12,742,000 | - |
| Total noncurrent liabilities | 7,658,737 | 5,455,625 | 13,114,362 | - |
| Total liabilities | 8,699,216 | 7,884,044 | 16,583,260 | 85,249 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 17,858,593 | 7,534,547 | 25,393,140 | 408,600 |
| Restricted for capital improvements | 335,214 | - | 335,214 | - |
| Restricted for debt service | 317,232 | - | 317,232 | - |
| Unrestricted | 1,177,034 | (1,732,250) | (555,216) | 13,236 |
| Total net assets | \$ 19,688,073 | \$ 5,802,297 | \$ 25,490,370 | \$ 421,836 |
| Total net assets - enterprise funds | | | \$ 25,490,370 | |
| An internal charge between the governmental and business-type activities is not recorded at the fund level | | | 210,919 | |
| Total net assets - business-type activities | | | \$ 25,701,289 | |

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

CITY OF CEDAR HILLS

Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds Year Ended June 30, 2012

| | Business-Type Activities | | | Governmental Activities |
|---|--------------------------|----------------|------------------------------|--|
| | Water & Sewer | Golf Course | Total Enterprise Funds | Internal Service Fund Motor Pool |
| Operating revenues: | | | | |
| Charges for services: | | | | |
| Water & Sewer | \$ 2,754,599 | \$ - | \$ 2,754,599 | \$ - |
| Events | - | 37,211 | 37,211 | - |
| Golf course | - | 666,845 | 666,845 | - |
| Total operating revenues | 2,754,599 | 704,056 | 3,458,655 | - |
| Operating expenses: | | | | |
| Salaries, wages, and benefits | 738,898 | 471,695 | 1,210,593 | - |
| Materials, supplies and services | 1,209,526 | 454,472 | 1,663,998 | 62,061 |
| Other operating expenses | 13,251 | 4,478 | 17,729 | - |
| Amortization | 7,430 | 4,098 | 11,528 | - |
| Depreciation | 594,064 | 233,878 | 827,942 | 80,778 |
| Total operating expenses | 2,563,169 | 1,168,621 | 3,731,790 | 142,839 |
| Operating income (loss) | 191,430 | (464,565) | (273,135) | (142,839) |
| Nonoperating revenues (expenses): | | | | |
| Interest income | 8,823 | - | 8,823 | - |
| Gain (loss) on sale of capital assets | - | - | - | 3,722 |
| Property taxes | - | 396,862 | 396,862 | - |
| Interest expense and fiscal charges | (332,763) | (255,026) | (587,789) | - |
| Total nonoperating revenues (expenses) | (323,940) | 141,836 | (182,104) | 3,722 |
| Income (loss) before transfers | (132,510) | (322,729) | (455,239) | (139,117) |
| Transfers in | - | 2,366,656 | 2,366,656 | 192,000 |
| Transfers out | (134,231) | (2,750) | (136,981) | - |
| Total transfers | (134,231) | 2,363,906 | 2,229,675 | 192,000 |
| Changes in net assets | (266,741) | 2,041,177 | 1,774,436 | 52,883 |
| Total net assets - beginning | 19,954,814 | 3,761,120 | 23,715,934 | 368,953 |
| Total net assets - ending | \$ 19,688,073 | \$ 5,802,297 | \$ 25,490,370 | \$ 421,836 |
| Change in net assets - enterprise funds | | | \$ 1,774,436 | |
| The change in internal balances between the governmental activities and the business-type activities relating to internal service funds is not reported at the fund level | | | 26,442 | |
| Change in net assets of business-type activities | | | \$ 1,800,878 | |

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

CITY OF CEDAR HILLS

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2012

| | Business-Type Activities | | | Governmental Activities |
|--|--------------------------|----------------|------------------------------|--|
| | Water & Sewer | Golf Course | Total Enterprise Funds | Internal Service Fund Motor Pool |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 2,849,340 | \$ 765,929 | \$ 3,615,269 | \$ - |
| Payments to suppliers | (274,449) | (236,561) | (511,010) | 6,115 |
| Payments to employees | (732,902) | (467,142) | (1,200,044) | - |
| Intergovernmental payments | (607,726) | - | (607,726) | - |
| Net cash provided by operating activities | 1,234,263 | 62,226 | 1,296,489 | 6,115 |
| Cash flows from noncapital financing activities: | | | | |
| Transfers in | - | 2,366,656 | 2,366,656 | 192,000 |
| Transfers out | (134,231) | (2,750) | (136,981) | - |
| Property taxes | - | 397,300 | 397,300 | - |
| Net cash provided (used) by noncapital financing activities | (134,231) | 2,761,206 | 2,626,975 | 192,000 |
| Cash flows from capital and related financing activities: | | | | |
| Payments for acquisition of capital assets | (468,853) | (2,253,552) | (2,722,405) | (251,418) |
| Principal paid on capital debt | (292,000) | (313,903) | (605,903) | - |
| Capital contribution | - | - | - | - |
| Proceeds from sale of capital assets | - | - | - | 17,499 |
| Interest paid on capital debt | (336,583) | (255,977) | (592,560) | - |
| Net cash used by capital and related financing activities | (1,097,436) | (2,823,432) | (3,920,868) | (233,919) |
| Cash flows from investing activities: | | | | |
| Interest received | 8,823 | - | 8,823 | - |
| Net change in cash and cash equivalents | 11,419 | - | 11,419 | (35,804) |
| Cash and cash equivalents - beginning | <u>2,100,354</u> | <u>-</u> | <u>2,100,354</u> | <u>126,434</u> |
| Cash and cash equivalents - ending | <u>\$ 2,111,773</u> | <u>\$ -</u> | <u>\$ 2,111,773</u> | <u>\$ 90,630</u> |
| Displayed on the statement of net assets as: | | | | |
| Pooled cash and investments | \$ 1,459,327 | \$ - | \$ 1,459,327 | \$ 90,630 |
| Restricted cash and investments | 652,446 | - | 652,446 | - |
| Other cash | - | - | - | - |
| | <u>\$ 2,111,773</u> | <u>\$ -</u> | <u>\$ 2,111,773</u> | <u>\$ 90,630</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 191,430 | \$ (464,565) | \$ (273,135) | \$ (142,839) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation expense | 594,064 | 233,878 | 827,942 | 80,778 |
| Amortization expense | 7,430 | 4,098 | 11,528 | - |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 94,741 | 61,873 | 156,614 | - |
| Inventories | - | (3,874) | (3,874) | - |
| Prepaid items | 1,324 | 13,303 | 14,627 | (7,855) |
| Accounts payable | 339,278 | (155,428) | 183,850 | 76,031 |
| Accrued wages payable | 3,889 | 4,617 | 8,506 | - |
| Due to other funds | - | 368,388 | 368,388 | - |
| Compensated absences payable | 2,107 | (64) | 2,043 | - |
| Total adjustments | 1,042,833 | 526,791 | 1,569,624 | 148,954 |
| Net cash provided by operating activities | 1,234,263 | 62,226 | 1,296,489 | 6,115 |
| Noncash investing, capital, and financing activities: | | | | |
| Acquisition of equipment with capital lease obligation | - | - | - | - |

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

NOTES TO FINANCIAL STATEMENTS

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cedar Hills ("The City") have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case GASB prevails. The more significant government accounting policies followed by the City are described below.

Reporting Entity

The City was incorporated under the laws of the State of Utah on October 31, 1977. The City operates under a Council-Mayor form of government and provides the following broad range of services to citizens: general administrative services, sanitation, public safety, highways and streets, recreation and parks, public improvements, planning, zoning, water and sewer utilities, and golf course services. The financial statements include all funds and activities that are financially accountable to the City as described in GASB Statement 39.

Blended Component Unit

The Municipal Building Authority was created by the City during fiscal year 1999 and is governed by the City's Mayor and Council. The Authority used the proceeds of its tax exempt bonds to finance the construction of general capital assets for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a capital projects fund, a blended component unit.

Principles Used in Determining Scope of Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Cedar Hills. The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of Timpanogos Special Service District is excluded from the accompanying financial statements because the entity is autonomous and has a self-elected board of directors responsible for its operations and the hiring of its management personnel. The City pays Timpanogos Special Service District for its share of services received. Timpanogos Special Service District receives payments from other nearby cities receiving these same services. The City collects impact fees on behalf of Timpanogos Special Service District and then remits them back to the District.

Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, 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.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by proprietary funds).

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Sewer and Water Fund

The Sewer and Water Fund is used to account for the provision of sewer and water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer and water system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt, and capital improvements. Costs are financed through charges to utility customers.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Golf Course Fund

The Golf Course Fund is used to account for the activity of the golf course and the accumulation of resources for, and the payment of long-term debt. Costs are financed through charges to golf course customers.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, materials and supplies, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City also has an internal service fund which is accounted for like proprietary funds using the economic resources measurement focus.

Motor Pool Fund

The Motor Pool Fund is used to account for the operation and maintenance of vehicles provided by one department to other departments of the City on a cost measurement basis. The fund activities are reported on the proprietary fund statements, and based on their use, are appropriately allocated between governmental and business-type activities on the government-wide statements.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Budgetary Control

Budgets are prepared for City funds on the cash basis while the modified accrual or accrual basis is used to account and prepare fund financial reports.

The City Council approves by resolution the total budget appropriation by fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council. A public hearing is held anytime an increase in total appropriations is made. The budget was amended in fiscal year 2012. Unused appropriations for all of the annually budgeted funds lapse at the end of the year.

Cash and Cash Equivalents

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents for reporting purposes in the Statement of Cash Flows for the Proprietary Funds.

Inventories

Inventories of golf equipment held at the pro shop are recorded at cost.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts. Sick leave accrues to full-time permanent employees to specified maximums. Employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the City when they are collected. Property taxes and fees on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Utah County on behalf of the City and remitted to the City monthly. At June 30, 2012, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at June 30, 2012 is \$20,105.

In accordance with government accounting standards, a receivable and deferred revenue have been recorded for property taxes assessed at January 1, 2012 that will not be collected in the current fiscal year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at June 30, 2012 and revenues and expenses during the year then ended. The actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

in the fund financial statements for the proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment in the governmental funds.

Assets, having an original cost of \$10,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|-----------------------------------|---------------|
| Buildings and improvements | 50 years |
| Improvements other than buildings | 30 - 50 years |
| Machinery and equipment | 6 - 20 years |
| Infrastructure | 50 years |

Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations in both Governmental and Proprietary Funds.

Fund Balance/Net assets

In the proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first utilizes restricted resources to finance qualifying activities.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally constrained due to state or federal laws, or externally imposed conditions by grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unassigned are residual balances in the General Fund.

Reclassifications

Certain data from the prior year has been reclassified to conform to the June 30, 2012 presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) and the rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured, up to a mandatory limit, by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2012, \$554,876 of the City's bank balances were insured and \$259,760 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of 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. As with Deposits, the City's policy for managing custodial credit risk of investments is to adhere to the Money Management Act.

Credit Risk

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

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

| Investment Type | Fair Value | Maturity | Credit Quality |
|-------------------------------------|---------------------|-----------------|-----------------------|
| PTIF | \$ 3,475,429 | 65 days | Not rated |
| Externally Managed Investments | | | |
| First American Treasury Obligations | \$ 317,232 | 28 days | AAAm-g |
| Zions Bank Government Money Market | \$ 71,956 | 65 days | Not rated |
| US Bank Government Money Market | \$ 286,796 | 64 days | Not rated |
| Total | <u>\$ 4,151,413</u> | | |

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Interest Rate Risk

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

The City's cash and cash equivalents include \$2,101,524 of restricted cash. The City has \$138,827 restricted for well improvements, \$83,421 restricted for CARE tax programs, \$1,274,462 restricted for impact fees, and \$604,814 restricted for debt service.

NOTE 3 – WATER SHARES

At June 30, 2012, the City had water shares recorded at \$3,311,559. The water shares are stated at cost. Utah State law allows the trading of water shares but precludes the sale or disposition of water shares or rights acquired or otherwise controlled by the City.

NOTE 4 – ACCOUNTS RECEIVABLE

Net accounts receivable of \$254,990 for all proprietary funds includes an allowance for doubtful accounts of \$79,726. The City established an allowance for accounts that may not be collectible due to changes in the economic environment. Net accounts receivable of \$106,645 for the governmental funds includes an allowance for doubtful accounts of \$24,457.

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

The City has \$268,580 of intergovernmental receivables at June 30, 2012 in the General Fund resulting from \$194,068 due in sales tax revenue, \$50,722 due in Class C Road Funds, \$17,373 in telecommunication taxes, and \$6,417 in CARE tax revenue. Intergovernmental receivables in the Capital Projects Fund of \$11,307 are due to an outstanding grant.

NOTE 6 – 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; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damage, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. There have been no significant reductions in the coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The City also has purchased a workers' compensation policy.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|--------------|----------------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,416,650 | \$ - | \$ - | \$ 3,416,650 |
| Construction in progress | 11,274 | 158,415 | (169,689) | - |
| Total capital assets not being depreciated | 3,427,924 | 158,415 | (169,689) | 3,416,650 |
| Capital assets being depreciated: | | | | |
| Buildings | 2,798,902 | 47,201 | - | 2,846,103 |
| Improvements | 4,080,243 | 111,214 | - | 4,191,457 |
| Vehicles | 260,583 | 125,709 | (13,405) | 372,887 |
| Equipment | 34,558 | - | - | 34,558 |
| Infrastructure | 3,863,243 | 11,274 | - | 3,874,517 |
| Total capital assets being depreciated | 11,037,529 | 295,398 | (13,405) | 11,319,522 |
| Accumulated depreciation for: | | | | |
| Buildings | (387,277) | (62,940) | - | (450,217) |
| Improvements | (890,290) | (136,008) | - | (1,026,298) |
| Vehicles | (134,715) | (40,388) | 6,516 | (168,587) |
| Equipment | (23,031) | (3,738) | - | (26,769) |
| Infrastructure | (285,807) | (77,491) | - | (363,298) |
| Total accumulated depreciation | (1,721,120) | (320,565) | 6,516 | (2,035,169) |
| Total capital assets being depreciated, net | 9,316,409 | (25,167) | (6,889) | 9,284,353 |
| Total governmental activity capital assets, net | \$ 12,744,333 | \$ 133,248 | \$ (176,578) | \$ 12,701,003 |
| Business-type activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,810,023 | \$ - | \$ - | \$ 3,810,023 |
| Water Stock | 3,311,559 | - | - | 3,311,559 |
| Construction in progress | 665,670 | 2,693,855 | (3,342,659) | 16,866 |
| Total capital assets not being depreciated | 7,787,252 | 2,693,855 | (3,342,659) | 7,138,448 |
| Capital assets being depreciated: | | | | |
| Buildings | 83,950 | 2,613,085 | - | 2,697,035 |
| Improvements | 7,731,685 | 46,959 | - | 7,778,644 |
| Vehicles | 260,583 | 125,709 | (13,405) | 372,887 |
| Equipment | 804,809 | 19,763 | - | 824,572 |
| Water, sewer, and storm drain systems | 28,523,813 | 491,405 | - | 29,015,218 |
| Total capital assets being depreciated | 37,404,840 | 3,296,921 | (13,405) | 40,688,356 |
| Accumulated depreciation for: | | | | |
| Buildings | (67,860) | (8,395) | - | (76,255) |
| Improvements | (1,147,458) | (154,634) | - | (1,302,092) |
| Vehicles | (134,715) | (40,388) | 6,516 | (168,587) |
| Equipment | (495,880) | (70,849) | - | (566,729) |
| Water, sewer, and storm drain systems | (5,873,851) | (594,066) | - | (6,467,917) |
| Total accumulated depreciation | (7,719,764) | (868,332) | 6,516 | (8,581,580) |
| Total capital assets being depreciated, net | 29,685,076 | 2,428,589 | (6,889) | 32,106,776 |
| Total business-type activity capital assets, net | \$ 37,472,328 | \$ 5,122,444 | \$ (3,349,548) | \$ 39,245,224 |

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

| | |
|---|------------|
| Governmental activities: | |
| General government | \$ 62,940 |
| Streets and public works | 81,229 |
| Parks and recreation | 136,008 |
| Depreciation on capital assets of the County's internal service funds charged to the various functions based on their usage of the assets | 40,388 |
| Total depreciation expense - governmental activities | \$ 320,565 |
| Business-type activities: | |
| Golf course | \$ 233,878 |
| Water and sewer | 594,066 |
| Depreciation on capital assets of the County's internal service funds charged to the various functions based on their usage of the assets | 40,388 |
| Total depreciation expense - business-type activities | \$ 868,332 |

NOTE 8 – LONG-TERM DEBT

The legal general obligation debt limit for the City is \$42,101,279. The City had \$5,510,000 in general obligation debt and \$10,172,784 in other debt at June 30, 2012.

| General Obligation Bonds | Governmental | Business-Type |
|--|--------------|---------------|
| \$6,250,000 General Obligation Refunding Bond, Series 2005 due in annual installments on February 1 of \$150,000 to \$365,000. Interest at 4.00% to 4.50% is due in semi-annual payments on February 1 and August 1, secured by the revenues of the golf course. | \$ - | \$ 5,510,000 |
| Total general obligation bonds | \$ - | \$ 5,510,000 |

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Utility Revenue Bonds

\$6,215,000 Utility Revenue and Refunding Bonds, Series 2006 due in annual installments on March 1 of \$180,000 to \$385,000. Interest at 3.75% to 4.625% due in semi-annual payments on March 1 and September 1, secured by the pressurized irrigation system.

\$ 5,080,000

\$2,090,000 Utility Revenue Bonds, Series 2007 due in annual installments on March 1 of \$89,000 to \$133,000. Interest at 2.71% due in annual installments on March 1, secured by utility revenues.

\$ 1,756,000

\$930,000 Utility Revenue Bonds, Series 2009 due in annual installments on March 1 of \$30,000 to \$75,000. Interest at 5.99% due in semi-annual payments on March 1 and September 1.

\$ 845,000

Excise Tax Revenue Bonds

\$2,325,000 Excise Tax Revenue Bonds due in annual installments on July 1 of \$65,000 to \$150,000. Interest at 4.0% to 4.5% due in semi-annual payments on January 1 and July 1, secured by the public works building.

\$ 2,035,000

Total revenue bonds

\$ 2,035,000

\$ 7,681,000

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

| Note payable | <u>Governmental</u> | <u>Business-Type</u> |
|--|---------------------|----------------------|
| \$957,500 due as a reimbursement of impact fees as they are collected, to Lone Peak links, for the cost of constructing a new water storage and delivery system for the upper pressure zone. | | \$ 336,113 |
| Total note payable | <u>\$ -</u> | <u>\$ 336,113</u> |

Capital Leases

| | | |
|--|---------------------|----------------------|
| \$40,570 Yamaha capital lease, due in 60 monthly installments of \$760 including interest at 4.88%, beginning July 1, 2009, secured by the golf carts. | | \$ 17,381 |
| \$142,987 De Lage Landen Public Finance capital lease, due in 6 monthly installments of \$4,325 including interest at 4.91%, beginning May 1, 2010, secured by the golf carts. | | 103,270 |
| Total capital leases | <u>\$ -</u> | <u>\$ 120,651</u> |
| Total debt | <u>\$ 2,035,000</u> | <u>\$ 13,647,764</u> |

Transactions for the year ended June 30, 2012 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Excise tax revenue bonds | \$ 2,100,000 | \$ - | \$ (65,000) | \$ 2,035,000 | \$ 65,000 |
| Lease revenue bonds | 400,000 | - | (400,000) | - | - |
| Compensated absences | 41,755 | 18,658 | (32,709) | 27,704 | 13,852 |
| Total governmental activity long-term liabilities | <u>\$ 2,541,755</u> | <u>\$ 18,658</u> | <u>\$ (497,709)</u> | <u>\$ 2,062,704</u> | <u>\$ 78,852</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 5,655,000 | \$ - | \$ (145,000) | \$ 5,510,000 | \$ 150,000 |
| Utility revenue bonds | 7,973,000 | - | (292,000) | 7,681,000 | 299,000 |
| Notes payable | 336,133 | - | - | 336,133 | 78,387 |
| Obligations under capital leases | 289,554 | - | (168,903) | 120,651 | 30,167 |
| Compensated absences | 46,221 | 34,753 | (32,710) | 48,264 | 24,132 |
| Total business-type activity long-term liabilities | <u>\$ 14,299,908</u> | <u>\$ 34,753</u> | <u>\$ (638,613)</u> | <u>\$ 13,696,048</u> | <u>\$ 581,686</u> |

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Revenue bonds future debt service requirements:

| Year Ending June 30, | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | |
|-------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 65,000 | \$ 86,663 | \$ 299,000 | \$ 321,166 |
| 2014 | 70,000 | 83,963 | 307,000 | 310,207 |
| 2015 | 75,000 | 81,063 | 324,000 | 298,517 |
| 2016 | 75,000 | 78,063 | 332,000 | 286,072 |
| 2017 | 80,000 | 74,963 | 349,000 | 273,347 |
| 2018-2022 | 440,000 | 321,550 | 1,962,000 | 1,147,387 |
| 2023-2027 | 550,000 | 215,344 | 2,395,000 | 703,253 |
| 2028-2032 | 680,000 | 79,200 | 1,713,000 | 186,102 |
| Total | \$ 2,035,000 | \$ 1,020,809 | \$ 7,681,000 | \$ 3,526,051 |

General obligation bonds future debt service requirements:

| Year Ending June 30, | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | |
|-------------------------|--------------------------------|-------------|---------------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2013 | | | \$ 150,000 | \$ 234,120 |
| 2014 | | | 155,000 | 228,120 |
| 2015 | | | 160,000 | 221,920 |
| 2016 | | | 165,000 | 215,520 |
| 2017 | | | 175,000 | 208,920 |
| 2018-2022 | | | 980,000 | 934,200 |
| 2023-2027 | | | 1,200,000 | 718,570 |
| 2028-2032 | | | 1,475,000 | 439,240 |
| 2033-2035 | | | 1,050,000 | 95,850 |
| Total | \$ - | \$ - | \$ 5,510,000 | \$ 3,296,460 |

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

The City entered into a capital lease agreement with Yamaha during July 2010 to purchase golf carts. The City financed the purchase over sixty months at a stated and effective rate of 4.88% interest. Monthly payments of \$760 are required through June 2014. The lease is secured by the golf carts. The golf carts are recorded at \$40,570 with accumulated depreciation of \$17,387.

The City entered into a capital lease agreement with De Lage Landen Public Finance LLC during May 2010 to purchase golf carts. The City financed purchase over fifty-six months at a stated and effective rate of 4.91% interest. Monthly payments of \$4,325 are required July through December of each year through 2015 with a lump sum payment of \$34,200 due January 1, 2015. The lease is secured by the golf carts. The golf carts are recorded at \$142,987 with accumulated depreciation of \$44,258.

Capital leases future debt service requirements:

| | |
|---|-------------------------|
| Year ending June 30, 2013 | \$ 35,074 |
| Year ending June 30, 2014 | 35,074 |
| Year ending June 30, 2015 | 60,150 |
| Total minimum lease payments | <u>130,298</u> |
| Amount representing interest | <u>(9,647)</u> |
| Present value of minimum lease payments | 120,651 |
| Amount due within one year | <u>(30,167)</u> |
| Amount due after one year | <u><u>\$ 90,484</u></u> |

NOTE 9 – NET ASSETS

Net assets at June 30, 2012 consisted of the following:

| | <u>Governmental</u> | <u>Business-Type</u> |
|--|-----------------------------|-----------------------------|
| Invested in capital assets, net of related debt | | |
| Net capital assets | \$ 12,701,004 | \$ 39,245,225 |
| Less: Outstanding debt issued | (2,035,000) | (13,647,784) |
| Invested in capital assets, net of related debt | <u>10,666,004</u> | <u>25,597,441</u> |
| Restricted net assets | | |
| Restricted for debt service | 287,582 | 317,232 |
| Restricted for parks and recreation | 667,778 | - |
| Restricted for streets | 493,719 | - |
| Restricted for water and sewer improvements | - | 335,214 |
| Total restricted net assets | <u>1,449,079</u> | <u>652,446</u> |
| Unrestricted net assets | <u>3,887,521</u> | <u>(548,598)</u> |
| Total net assets | <u><u>\$ 16,002,604</u></u> | <u><u>\$ 25,701,289</u></u> |

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

NOTE 10 – RETIREMENT PLANS

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (System). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1958 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the System, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The City is required to contribute 13.770% of eligible employees' earnings for fiscal year to the noncontributory system. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the Noncontributory System for the years ending June 30, 2012, 2011, and 2010 were \$165,398, \$148,970, and \$125,884 respectively. The contributions were equal to the required contributions for each year.

NOTE 11 – DEFERRED COMPENSATION PLANS

The City of Cedar Hills offers its employees a deferred compensation plan created in accordance with *Internal Revenue Code* Section 457 and a 401(k) plan. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants or their beneficiaries by Utah Retirement Systems.

Employer contributions were made to the 457 plan in the amount of \$246, \$618, and \$2,215 for the fiscal years ended June 30, 2012, 2011, and 2010, respectively. Employee contributions of \$641, \$3,847, and \$3,325 were made to the plan for the years ended June 30, 2012, 2011, and 2010. Employee contributions of \$5,025, \$14,934, and \$6,668 were made to the 401(k) plan for the years ended June 30, 2012, 2011, and 2010, respectively. Employee contributions of \$9,400, and \$1,000 were made to the Roth IRA plan for the years ended June 30, 2012, and 2011 respectively.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

NOTE 12 – LESSEE LEASING ARRANGEMENTS

On June 10, 1997, the City entered into an agreement with Central Utah Water Conservancy District to lease 710 acre feet of municipal and industrial project water. The City received a 100-acre foot allotment during August 2002, August 2003, two allotments in September 2003 and the remaining 310 acre foot allotment in August 2007, for a total of 710 acre feet. The total cost of the water is \$4,529,812, financed at 3% interest, payable in 40–45 annual installments. The annual installment payment is determined at the current price per acre foot times the number allotted. The City began payment for all 710 acre feet in 2008. The City paid \$105,972 for lease payments in 2012.

The following is a schedule by year of future minimum lease payments required under operating lease agreements:

| Year Ended June 30, | Total | Year Ended June 30, | Total |
|------------------------|------------|------------------------|---------------------|
| 2013 | \$ 105,972 | 2023-2027 | \$ 529,860 |
| 2014 | \$ 105,972 | 2028-2032 | \$ 529,860 |
| 2015 | \$ 105,972 | 2033-2037 | \$ 529,860 |
| 2016 | \$ 105,972 | 2038-2042 | \$ 529,860 |
| 2017 | \$ 105,972 | 2043-2047 | \$ 482,123 |
| 2018-2022 | \$ 529,860 | | |
| | | Total | \$ 3,661,283 |

NOTE 13 – INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2012 consisted of the following:

| | Transfer In | Transfer Out |
|-----------------------|---------------------|---------------------|
| General Fund | \$ - | \$ 477,322 |
| Capital Projects Fund | 422,303 | 2,366,656 |
| Water & Sewer Fund | - | 134,231 |
| Golf Fund | 2,366,656 | 2,750 |
| Motor Pool Fund | 192,000 | - |
| Total | <u>\$ 2,980,959</u> | <u>\$ 2,980,959</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2012

Further, during the year ended June 30, 2012, the City made the following one-time transfers:

- 1) A transfer of \$2,366,656 from the Capital Projects fund to the Golf fund to complete the construction of the City's Community Recreation Center.
- 2) A transfer of \$422,303 from the General fund to the Capital Projects fund was required to maintain unrestricted fund balance in the General Fund in compliance with Utah Code.

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLE

The composition of interfund balances for the year ended June 30, 2012 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| Capital Projects | Golf | \$ 2,069,358 |

The amounts payable to the Capital Projects fund relate to a working capital loan made to the Golf fund. None of the balance is scheduled to be collected in the subsequent year.

NOTE 15 – SUBSEQUENT EVENTS

The City issued general obligation refunding bonds of \$5.6 million on December 20, 2012 to be used to refinance the 2005 general obligation bonds, which refinanced 2001 lease revenue bonds, which were originally used by the City for golf course improvements.

SUPPLEMENTARY INFORMATION

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 630,000 | \$ 650,000 | \$ 666,288 | \$ 16,288 |
| Delinquent property taxes | 75,000 | 75,000 | 38,043 | (36,957) |
| Penalty & interest on property taxes | 4,000 | 4,000 | 11,348 | 7,348 |
| Motor Vehicle Taxes | 122,500 | 122,500 | 120,237 | (2,263) |
| Sales taxes | 1,000,000 | 1,000,000 | 1,050,315 | 50,315 |
| CARE tax | 35,000 | 35,000 | 35,949 | 949 |
| Franchise taxes | 360,000 | 360,000 | 354,167 | (5,833) |
| Telecom taxes | 125,000 | 125,000 | 108,204 | (16,796) |
| Total | 2,351,500 | 2,371,500 | 2,384,551 | 13,051 |
| Licenses and permits | | | | |
| Building permits | 50,000 | 50,000 | 31,432 | (18,568) |
| Plan check fees | 20,000 | 20,000 | 17,026 | (2,974) |
| Other licenses and permits | 25,000 | 25,000 | 24,789 | (211) |
| Total | 95,000 | 95,000 | 73,247 | (21,753) |
| Intergovernmental revenue | | | | |
| Lone Peak Public Safety District rent income | 36,200 | 36,200 | 35,252 | (948) |
| Class C Roads allotments | 260,000 | 260,000 | 262,337 | 2,337 |
| Liquor fund allotments | 5,950 | 5,950 | 5,263 | (687) |
| Total | 302,150 | 302,150 | 302,852 | 702 |
| Fees | | | | |
| Garbage fees | 355,000 | 355,000 | 359,385 | 4,385 |
| Recycling fees | 50,000 | 50,000 | 50,773 | 773 |
| Paramedic fees | 175,000 | 175,000 | 177,624 | 2,624 |
| Other | 3,000 | 3,000 | 1,771 | (1,229) |
| Total | 583,000 | 583,000 | 589,553 | 6,553 |
| Recreation and culture revenue | | | | |
| Family festival income | 25,000 | 25,000 | 22,881 | (2,119) |
| Recreation programs | 60,000 | 60,000 | 70,715 | 10,715 |
| Total | 85,000 | 85,000 | 93,596 | 8,596 |
| Miscellaneous revenues | | | | |
| Interest earnings | 10,000 | 10,000 | 4,470 | (5,530) |
| Other revenue | 22,000 | 22,000 | 33,565 | 11,565 |
| Total | 32,000 | 32,000 | 38,035 | 6,035 |
| Total revenues | 3,448,650 | 3,468,650 | 3,481,834 | 13,184 |

(Continued)

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - (Continued) General Fund Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| EXPENDITURES | | | | |
| General government | | | | |
| Mayor & council | 65,950 | 70,150 | 69,235 | 915 |
| Administrative operations | 319,800 | 362,800 | 351,186 | 11,614 |
| City Recorder | 90,400 | 100,400 | 100,533 | (133) |
| Finance | 196,500 | 141,000 | 153,391 | (12,391) |
| Other materials, supplies, and contracted services | 298,500 | 352,800 | 363,122 | (10,322) |
| Total | <u>971,150</u> | <u>1,027,150</u> | <u>1,037,467</u> | <u>(10,317)</u> |
| Public safety | | | | |
| Police department | 382,500 | 350,000 | 349,546 | 454 |
| Fire department | 530,000 | 490,000 | 486,755 | 3,245 |
| Other | 21,250 | 53,750 | 52,290 | 1,460 |
| Total | <u>933,750</u> | <u>893,750</u> | <u>888,591</u> | <u>5,159</u> |
| Streets and public works | | | | |
| Building and zoning | 78,700 | 82,700 | 74,597 | 8,103 |
| Public works | 271,850 | 271,850 | 219,746 | 52,104 |
| Streets | 353,000 | 353,000 | 358,772 | (5,772) |
| Total | <u>703,550</u> | <u>707,550</u> | <u>653,115</u> | <u>54,435</u> |
| Solid waste and recycling | | | | |
| Solid Waste | 275,000 | 275,000 | 243,368 | 31,632 |
| Recycling | 45,000 | 45,000 | 13,710 | 31,290 |
| Other | 4,250 | 4,250 | 1,318 | 2,932 |
| Total | <u>324,250</u> | <u>324,250</u> | <u>258,396</u> | <u>65,854</u> |
| Parks and recreation | | | | |
| Parks | 130,000 | 130,000 | 137,211 | (7,211) |
| Community recreation | 214,400 | 234,400 | 193,971 | 40,429 |
| Other | 16,500 | 16,500 | 15,364 | 1,136 |
| Total | <u>360,900</u> | <u>380,900</u> | <u>346,546</u> | <u>34,354</u> |
| Total expenditures | <u>3,293,600</u> | <u>3,333,600</u> | <u>3,184,115</u> | <u>149,485</u> |
| Excess of revenues over expenditures | 155,050 | 135,050 | 297,719 | 162,669 |
| Other financing uses | | | | |
| Operating transfers out | (286,400) | (786,400) | (477,322) | 309,078 |
| Total other financing uses | <u>(286,400)</u> | <u>(786,400)</u> | <u>(477,322)</u> | <u>309,078</u> |
| Net change in fund balance | (131,350) | (651,350) | (179,603) | 471,747 |
| Fund balance at beginning of year | 924,064 | 924,064 | 924,064 | - |
| Fund balance at end of year | <u>\$ 792,714</u> | <u>\$ 272,714</u> | <u>\$ 744,461</u> | <u>\$ 471,747</u> |

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Capital Projects Fund Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|--------------------|--------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Impact fees: | | | | |
| Park development | \$ 11,700 | \$ 11,700 | \$ 12,870 | \$ 1,170 |
| Park land | 43,780 | 43,780 | 48,158 | 4,378 |
| Recreation | 16,400 | 16,400 | 18,040 | 1,640 |
| Public safety | 6,360 | 6,360 | 6,940 | 580 |
| Streets | 52,560 | 52,560 | 40,614 | (11,946) |
| Interest earnings | 15,000 | 15,000 | 31,340 | 16,340 |
| Grant revenues | 5,000 | 5,000 | 11,307 | 6,307 |
| Other | 99,400 | 99,400 | - | (99,400) |
| Total revenues | <u>250,200</u> | <u>250,200</u> | <u>169,269</u> | <u>(80,931)</u> |
| EXPENDITURES | | | | |
| General government | 550,000 | 500,000 | 182,950 | 317,050 |
| Streets and public works | 541,350 | 666,350 | 140,385 | 525,965 |
| Parks and recreation | 2,862,000 | 2,862,000 | 51,362 | 2,810,638 |
| Debt service: | | | | |
| Principal | 465,000 | 465,000 | 465,000 | - |
| Interest and fiscal charges | 105,470 | 105,470 | 109,567 | (4,097) |
| Total expenditures | <u>4,523,820</u> | <u>4,598,820</u> | <u>949,264</u> | <u>3,649,556</u> |
| Excess (deficiency) of revenues over expenditures | (4,273,620) | (4,348,620) | (779,995) | 3,568,625 |
| Other financing sources (uses) | | | | |
| Operating transfers in | 154,250 | 154,250 | 422,303 | 268,053 |
| Operating transfers out | (2,500,000) | (2,500,000) | (2,366,656) | 133,344 |
| Total other financing sources (uses) | <u>(2,345,750)</u> | <u>(2,345,750)</u> | <u>(1,944,353)</u> | <u>401,397</u> |
| Net change in fund balances | (6,619,370) | (6,694,370) | (2,724,348) | 3,970,022 |
| Fund balance at beginning of year | <u>6,648,028</u> | <u>6,648,028</u> | <u>6,648,028</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 28,658</u> | <u>\$ (46,342)</u> | <u>\$ 3,923,680</u> | <u>\$ 3,970,022</u> |

STATISTICAL SECTION

CITY OF CEDAR HILLS

**Net Assets By Component
Last Nine Years**
(accrual basis of accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|----------------------|----------------------|----------------------|
| Governmental activities: | | | |
| Net investment in capital assets | \$ 7,127,899 | \$ 8,050,689 | \$ 9,485,874 |
| Restricted | 3,941,204 | 4,234,249 | 4,662,042 |
| Unrestricted | <u>563,576</u> | <u>1,326,009</u> | <u>1,630,837</u> |
| Total governmental activities net assets | <u>\$ 11,632,679</u> | <u>\$ 13,610,947</u> | <u>\$ 15,778,753</u> |
| Business-type activities: | | | |
| Net investment in capital assets | \$ 19,286,602 | \$ 19,330,501 | \$ 20,920,874 |
| Restricted | 1,064,822 | 1,153,324 | 787,452 |
| Unrestricted | <u>1,353,298</u> | <u>1,165,486</u> | <u>1,412,001</u> |
| Total business-type activities net assets | <u>\$ 21,704,722</u> | <u>\$ 21,649,311</u> | <u>\$ 23,120,327</u> |
| Total City: | | | |
| Net investment in capital assets | \$ 26,414,501 | \$ 27,381,190 | \$ 30,406,748 |
| Restricted | 5,006,026 | 5,387,573 | 5,449,494 |
| Unrestricted | <u>1,916,874</u> | <u>2,491,495</u> | <u>3,042,838</u> |
| Total City net assets | <u>\$ 33,337,401</u> | <u>\$ 35,260,258</u> | <u>\$ 38,899,080</u> |

Source: City statement of net assets at June 30, 2004 through 2012.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 10,965,083 | \$ 11,244,557 | \$ 11,143,031 | \$ 10,475,412 | \$ 10,317,082 | \$ 10,666,004 |
| 4,722,479 | 5,142,430 | 5,699,688 | 4,906,151 | 4,164,309 | 1,449,079 |
| 1,446,613 | 1,852,484 | 1,506,908 | 2,935,231 | 3,374,792 | 3,887,521 |
| <u>\$ 17,134,175</u> | <u>\$ 18,239,471</u> | <u>\$ 18,349,627</u> | <u>\$ 18,316,794</u> | <u>\$ 17,856,183</u> | <u>\$ 16,002,604</u> |
| \$ 20,452,444 | \$ 20,716,646 | \$ 21,235,285 | \$ 23,270,251 | \$ 23,255,396 | \$ 25,597,441 |
| 853,426 | 870,032 | 794,792 | 1,199,087 | 864,268 | 652,446 |
| 1,559,221 | 1,411,550 | 1,747,769 | (402,699) | (219,254) | (548,598) |
| <u>\$ 22,865,091</u> | <u>\$ 22,998,228</u> | <u>\$ 23,777,846</u> | <u>\$ 24,066,639</u> | <u>\$ 23,900,410</u> | <u>\$ 25,701,289</u> |
| \$ 31,417,527 | \$ 31,961,203 | \$ 32,378,316 | \$ 33,745,663 | \$ 33,572,478 | \$ 36,263,445 |
| 5,575,905 | 6,012,462 | 6,494,480 | 6,105,238 | 5,028,577 | 2,101,525 |
| 3,005,834 | 3,264,034 | 3,254,677 | 2,532,532 | 3,155,538 | 3,338,923 |
| <u>\$ 39,999,266</u> | <u>\$ 41,237,699</u> | <u>\$ 42,127,473</u> | <u>\$ 42,383,433</u> | <u>\$ 41,756,593</u> | <u>\$ 41,703,893</u> |

CITY OF CEDAR HILLS

**Changes in Net Assets
Last Nine Years
(accrual basis of accounting)**

| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------------------|---------------------|---------------------|---------------------|
| Expenses: | | | |
| Governmental activities: | | | |
| General government | \$ 1,254,435 | \$ 1,454,474 | \$ 1,666,698 |
| Public safety | 235,382 | 366,317 | 415,023 |
| Parks and recreation | 219,399 | 236,627 | 201,108 |
| Streets and public works | - | - | - |
| Solid waste and recycling | - | - | - |
| Interest on long-term debt | 71,944 | 44,960 | 54,875 |
| Total governmental activities | <u>1,781,160</u> | <u>2,102,378</u> | <u>2,337,704</u> |
| Business-type activities: | | | |
| Water and sewer | 1,206,424 | 1,365,810 | 1,684,080 |
| Golf Course | 1,126,047 | 1,319,493 | 1,232,934 |
| Total business-type activities | <u>2,332,471</u> | <u>2,685,303</u> | <u>2,917,014</u> |
| Total City expenses | <u>\$ 4,113,631</u> | <u>\$ 4,787,681</u> | <u>\$ 5,254,718</u> |
| Program revenues: | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government | \$ 1,028,734 | \$ 1,150,108 | \$ 1,114,464 |
| Public safety | - | - | - |
| Parks and recreation | 19,165 | 34,371 | 31,178 |
| Streets and public works | - | - | - |
| Solid waste and recycling | - | - | - |
| Operating grants and contributions | 180,011 | 150,057 | 195,054 |
| Capital grants and contributions | 1,422,788 | 1,538,021 | 1,422,611 |
| Total governmental activities | <u>2,650,698</u> | <u>2,872,557</u> | <u>2,763,307</u> |
| Business-type activities: | | | |
| Charges for services: | | | |
| Water and sewer | 1,055,639 | 1,353,378 | 1,678,169 |
| Golf Course | 582,906 | 710,763 | 639,625 |
| Capital grants and contributions | 459,542 | 520,472 | 2,037,900 |
| Total business-type activities | <u>2,098,087</u> | <u>2,584,613</u> | <u>4,355,694</u> |
| Total City program revenues | <u>\$ 4,748,785</u> | <u>\$ 5,457,170</u> | <u>\$ 7,119,001</u> |

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 1,899,991 | \$ 2,111,097 | \$ 2,179,488 | \$ 2,073,764 | \$ 2,191,800 | \$ 1,311,205 |
| 468,442 | 495,569 | 580,522 | 575,232 | 775,455 | 888,591 |
| 249,365 | 327,239 | 466,877 | 409,000 | 454,437 | 495,620 |
| - | - | - | - | - | 785,921 |
| - | - | - | - | - | 258,396 |
| 135,693 | 130,145 | 106,149 | 107,013 | 103,491 | 104,271 |
| 2,753,491 | 3,064,050 | 3,333,036 | 3,165,009 | 3,525,183 | 3,844,004 |
| 1,964,829 | 2,025,766 | 2,157,725 | 2,511,875 | 2,890,749 | 2,965,490 |
| 1,146,626 | 1,252,222 | 1,217,445 | 1,238,869 | 1,258,176 | 1,423,647 |
| 3,111,455 | 3,277,988 | 3,375,170 | 3,750,744 | 4,148,925 | 4,389,137 |
| \$ 5,864,946 | \$ 6,342,038 | \$ 6,708,206 | \$ 6,915,753 | \$ 7,674,108 | \$ 8,233,141 |
| \$ 788,189 | \$ 637,265 | \$ 541,033 | \$ 546,041 | \$ 557,656 | \$ 55,225 |
| - | - | - | - | - | 184,564 |
| 80,950 | 50,672 | 82,324 | 45,439 | 68,383 | 172,664 |
| - | - | - | - | - | 93,972 |
| - | - | - | - | - | 410,158 |
| 236,967 | 256,189 | 229,689 | 246,682 | 263,084 | 302,851 |
| 520,486 | 668,005 | 50,107 | 164,526 | 95,999 | 11,307 |
| 1,626,592 | 1,612,131 | 903,153 | 1,002,688 | 985,122 | 1,230,741 |
| 1,618,393 | 2,016,177 | 2,050,184 | 2,383,938 | 2,634,734 | 2,754,599 |
| 652,176 | 800,274 | 750,734 | 679,970 | 651,211 | 704,056 |
| 289,990 | 105,175 | 161,300 | 62,986 | 22,590 | - |
| 2,560,559 | 2,921,626 | 2,962,218 | 3,126,894 | 3,308,535 | 3,458,655 |
| \$ 4,187,151 | \$ 4,533,757 | \$ 3,865,371 | \$ 4,129,582 | \$ 4,293,657 | \$ 4,689,396 |

CITY OF CEDAR HILLS

**Changes in Net Assets (Continued)
Last Nine Years**

(accrual basis of accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|---------------------|---------------------|---------------------|
| Net (expense) revenue: | | | |
| Governmental activities | \$ 869,538 | \$ 770,179 | \$ 425,603 |
| Business-type activities | (234,384) | (100,690) | 1,438,680 |
| Total City net (expense) revenue | <u>\$ 635,154</u> | <u>\$ 669,489</u> | <u>\$ 1,864,283</u> |
| General Revenues and Other Changes in Net Assets: | | | |
| Governmental activities: | | | |
| Taxes: | | | |
| Property taxes | \$ 489,840 | \$ 464,866 | \$ 525,316 |
| Sales taxes | 319,340 | 367,099 | 576,664 |
| Franchise taxes | 156,179 | 221,327 | 283,016 |
| CARE taxes | - | - | - |
| Investment earnings | 75,310 | 132,555 | 242,378 |
| Miscellaneous | 46,159 | 37,071 | 86,723 |
| Transfers | (5,300,721) | (14,829) | 28,106 |
| Total governmental activities | <u>(4,213,893)</u> | <u>1,208,089</u> | <u>1,742,203</u> |
| Business-type activities: | | | |
| Investment earnings | 25,147 | 30,450 | 60,807 |
| Property taxes | - | - | - |
| Miscellaneous | - | - | (365) |
| Transfers | 5,300,721 | 14,829 | (28,106) |
| Total business-type activities | <u>5,325,868</u> | <u>45,279</u> | <u>32,336</u> |
| Total City general revenues and other changes in net assets | <u>\$ 1,111,975</u> | <u>\$ 1,253,368</u> | <u>\$ 1,774,539</u> |
| Changes in Net Assets: | | | |
| Governmental activities | \$ (3,344,355) | \$ 1,978,268 | \$ 2,167,806 |
| Business-type activities | 5,091,484 | (55,411) | 1,471,016 |
| Total City changes in net assets | <u>\$ 1,747,129</u> | <u>\$ 1,922,857</u> | <u>\$ 3,638,822</u> |

Source City of Cedar Hills statements of activities for years ended June 30, 2004 through 2012.

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ (1,126,899) | \$ (1,451,919) | \$ (2,429,883) | \$ (2,162,321) | \$ (2,540,061) | \$ (2,613,263) |
| (550,896) | (356,362) | (412,952) | (623,850) | (840,390) | (930,482) |
| <u>\$ (1,677,795)</u> | <u>\$ (1,808,281)</u> | <u>\$ (2,842,835)</u> | <u>\$ (2,786,171)</u> | <u>\$ (3,380,451)</u> | <u>\$ (3,543,745)</u> |
| \$ 842,000 | \$ 944,820 | \$ 939,554 | \$ 872,432 | \$ 835,359 | \$ 870,913 |
| 770,586 | 825,890 | 825,298 | 933,049 | 987,371 | 1,050,315 |
| 280,527 | 405,318 | 432,005 | 446,750 | 471,635 | 462,371 |
| - | - | - | - | - | 35,949 |
| 399,912 | 302,636 | 136,713 | 42,212 | 34,844 | 35,810 |
| 37,283 | 63,086 | 92,899 | 36,948 | 45,286 | - |
| 152,013 | 15,465 | 113,570 | - | (295,045) | (2,325,675) |
| <u>2,482,321</u> | <u>2,557,215</u> | <u>2,540,039</u> | <u>2,331,391</u> | <u>2,079,450</u> | <u>129,683</u> |
| 77,700 | 118,019 | 56,454 | 10,764 | 6,963 | 8,823 |
| 385,791 | 386,945 | 385,195 | 385,260 | 398,339 | 396,862 |
| (15,818) | - | 864,491 | 21,463 | (26,187) | - |
| <u>(152,013)</u> | <u>(15,465)</u> | <u>(113,570)</u> | <u>-</u> | <u>295,045</u> | <u>2,325,675</u> |
| <u>295,660</u> | <u>489,499</u> | <u>1,192,570</u> | <u>417,487</u> | <u>674,160</u> | <u>2,731,360</u> |
| <u>\$ 2,777,981</u> | <u>\$ 3,046,714</u> | <u>\$ 3,732,609</u> | <u>\$ 2,748,878</u> | <u>\$ 2,753,610</u> | <u>\$ 2,861,043</u> |
| \$ 1,355,422 | \$ 1,105,296 | \$ 110,156 | \$ 169,070 | \$ (460,611) | \$ (2,483,580) |
| (255,236) | 133,137 | 779,618 | (206,363) | (166,230) | 1,800,878 |
| <u>\$ 1,100,186</u> | <u>\$ 1,238,433</u> | <u>\$ 889,774</u> | <u>\$ (37,293)</u> | <u>\$ (626,841)</u> | <u>\$ (682,702)</u> |

CITY OF CEDAR HILLS

**Fund Balances, Governmental Funds
Last Nine Years**

(modified accrual basis of accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|---------------------|---------------------|---------------------|
| General fund: | | | |
| Nonspendable | | | |
| Prepaid | \$ - | \$ - | \$ - |
| Restricted | 244,768 | 311,154 | 447,728 |
| Unassigned | <u>79,257</u> | <u>255,239</u> | <u>355,926</u> |
| Total general fund | <u>\$ 324,025</u> | <u>\$ 566,393</u> | <u>\$ 803,654</u> |
| All other governmental funds: | | | |
| Nonspendable | | | |
| Prepaid | \$ - | \$ - | \$ - |
| Restricted | 3,379,629 | 3,923,095 | 6,504,062 |
| Assigned | <u>826,752</u> | <u>1,083,880</u> | <u>1,275,409</u> |
| Total all other governmental funds | <u>\$ 4,206,381</u> | <u>\$ 5,006,975</u> | <u>\$ 7,779,471</u> |
| Total Fund Balances - Government Funds | <u>\$ 4,530,406</u> | <u>\$ 5,573,368</u> | <u>\$ 8,583,125</u> |

Source: City of Cedar Hills balance sheets - governmental funds at December 31, 2004 through 2012.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ - | \$ - | \$ - | \$ 27,880 | \$ 21,904 | \$ 13,193 |
| 684,951 | 832,633 | 349,505 | 381,509 | 192,957 | 83,421 |
| 301,114 | 523,327 | 1,114,841 | 461,547 | 709,202 | 647,847 |
| <u>\$ 986,065</u> | <u>\$ 1,355,960</u> | <u>\$ 1,464,346</u> | <u>\$ 870,936</u> | <u>\$ 924,063</u> | <u>\$ 744,461</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 12,957 | \$ - |
| 4,792,703 | 4,819,057 | 4,517,848 | 4,524,642 | 3,971,352 | 1,365,658 |
| 1,186,904 | 1,221,244 | 1,631,612 | 2,497,858 | 2,663,720 | 2,558,022 |
| <u>\$ 5,979,607</u> | <u>\$ 6,040,301</u> | <u>\$ 6,149,460</u> | <u>\$ 7,022,500</u> | <u>\$ 6,648,029</u> | <u>\$ 3,923,680</u> |
| <u>\$ 6,965,672</u> | <u>\$ 7,396,261</u> | <u>\$ 7,613,806</u> | <u>\$ 7,893,436</u> | <u>\$ 7,572,092</u> | <u>\$ 4,668,141</u> |

CITY OF CEDAR HILLS

Changes in Fund Balances, Governmental Funds Last Nine Years

(modified accrual basis of accounting)

| | <u>2004</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Revenues: | | |
| Taxes | \$ 965,359 | \$ 1,053,292 |
| Licenses and permits | 521,704 | 546,160 |
| Intergovernmental | 180,011 | 197,671 |
| Charges for services | 507,031 | 603,948 |
| Fees | 1,441,953 | 1,462,146 |
| Investment earnings | 75,310 | 132,555 |
| Miscellaneous | 49,470 | 96,775 |
| Total revenues | <u>3,740,838</u> | <u>4,092,547</u> |
| Expenditures: | | |
| General government | 1,062,777 | 1,176,336 |
| Public Safety | 235,382 | 366,317 |
| Streets and public works | 148,188 | 236,503 |
| Solid waste and recycling | - | - |
| Parks and recreation | 166,901 | 174,782 |
| Capital Outlay | 917,901 | 885,578 |
| Debt Service: | | |
| Principal retirement | 70,000 | 72,000 |
| Interest and fiscal charges | 56,599 | 45,756 |
| Total expenditures | <u>2,657,748</u> | <u>2,957,272</u> |
| Excess of revenues over (under) expenditures | 1,083,090 | 1,135,275 |
| Other financing sources (uses): | | |
| Excise tax revenue bonds issued | - | - |
| Transfers in | 730,217 | 175,674 |
| Transfers out | <u>(2,151,597)</u> | <u>(267,987)</u> |
| Total other financing sources (uses) | <u>(1,421,380)</u> | <u>(92,313)</u> |
| Net change in fund balances | <u>\$ (338,290)</u> | <u>\$ 1,042,962</u> |
| Debt service as a percentage of noncapital expenditures | 7.2% | 5.8% |

Source: City of Cedar Hills statements of revenues, expenditures, and changes in fund balances - governmental funds for years ending December 31, 2004 through 2012.

Notes: (1) City retired lease revenue bonds early during fiscal year 2012.

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012(1) |
|----|-----------|----------------|--------------|--------------|--------------|--------------|----------------|
| \$ | 1,384,996 | \$ 1,893,113 | \$ 2,176,028 | \$ 2,205,691 | \$ 2,252,232 | \$ 2,294,365 | \$ 2,384,551 |
| | 516,054 | 264,760 | 153,601 | 71,116 | 83,834 | 70,245 | 73,247 |
| | 195,054 | 236,967 | 256,189 | 229,690 | 246,682 | 263,084 | 314,159 |
| | 598,410 | 523,429 | 483,664 | 469,917 | 462,207 | 487,410 | 589,552 |
| | 981,759 | 592,907 | 718,677 | 132,431 | 199,420 | 158,773 | 220,218 |
| | 242,378 | 399,912 | 302,636 | 136,714 | 42,212 | 34,844 | 35,810 |
| | 83,834 | 33,895 | 45,462 | 88,817 | 35,816 | 44,161 | 33,565 |
| | 4,002,485 | 3,944,983 | 4,136,257 | 3,334,376 | 3,322,403 | 3,352,882 | 3,651,102 |
| | 1,274,996 | 1,435,021 | 1,470,336 | 1,626,477 | 1,535,270 | 1,438,114 | 1,220,417 |
| | 415,023 | 468,442 | 495,569 | 558,750 | 575,232 | 775,455 | 888,591 |
| | 223,541 | 243,659 | 268,580 | 323,803 | 281,177 | 501,945 | 653,114 |
| | - | - | - | - | - | - | 258,396 |
| | 137,333 | 193,655 | 260,954 | 330,697 | 262,750 | 291,084 | 346,546 |
| | 979,015 | 2,968,326 | 781,646 | 61,960 | 124,612 | 96,182 | 191,747 |
| | 75,000 | 82,000 | 232,000 | 95,000 | 95,000 | 100,000 | 465,000 |
| | 55,761 | 86,819 | 126,537 | 113,823 | 108,612 | 105,147 | 109,567 |
| | 3,160,669 | 5,477,922 | 3,635,622 | 3,110,510 | 2,982,653 | 3,307,927 | 4,133,378 |
| | 841,816 | (1,532,939) | 500,635 | 223,866 | 339,750 | 44,955 | (482,276) |
| | 2,325,000 | - | - | - | - | - | - |
| | 332,883 | 502,548 | 531,906 | 152,963 | 1,026,067 | 171,858 | 422,303 |
| | (489,942) | (587,062) | (601,952) | (161,248) | (1,086,189) | (538,159) | (2,843,978) |
| | 2,167,941 | (84,514) | (70,046) | (8,285) | (60,122) | (366,301) | (2,421,675) |
| \$ | 3,009,757 | \$ (1,617,453) | \$ 430,589 | \$ 215,581 | \$ 279,628 | \$ (321,346) | \$ (2,903,951) |
| | 5.6% | 6.6% | 12.1% | 6.8% | 7.0% | 6.3% | 14.5% |

CITY OF CEDAR HILLS

**Property Tax Rates - Direct and Overlapping Governments
Last Ten Years (Per \$1 of Assessed/Taxable Value)**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| City rates: | | | | |
| General operations | 0.001898 | 0.001700 | 0.001690 | 0.001690 |
| Interest and sinking fund | N/A | N/A | N/A | 0.001167 |
| | <u>0.001898</u> | <u>0.001700</u> | <u>0.001690</u> | <u>0.002857</u> |
| Utah County rates: | | | | |
| General operations | 0.000862 | 0.000878 | 0.000866 | 0.000794 |
| Interest and sinking fund | 0.000191 | 0.000187 | 0.000174 | 0.000155 |
| Other | 0.000000 | 0.000000 | 0.000000 | 0.000130 |
| Assessing and collecting | 0.000358 | 0.000360 | 0.000351 | 0.000183 |
| | <u>0.001411</u> | <u>0.001425</u> | <u>0.001391</u> | <u>0.001262</u> |
| Alpine School district rates: | | | | |
| Tort liability | 0.000032 | 0.000032 | 0.000031 | 0.000028 |
| Recreation | 0.000109 | 0.000110 | 0.000107 | 0.000097 |
| Transportation | 0.000180 | 0.000182 | 0.000177 | 0.000161 |
| Leeway | 0.001700 | 0.001700 | 0.001652 | 0.001500 |
| Other | 0.000919 | 0.000929 | 0.000902 | 0.000819 |
| Capital | 0.000022 | 0.000022 | 0.000021 | 0.000019 |
| GO bond payments | 0.003097 | 0.003344 | 0.003472 | 0.002744 |
| Levy | 0.001825 | 0.001800 | 0.001720 | 0.001515 |
| | <u>0.007884</u> | <u>0.008119</u> | <u>0.008082</u> | <u>0.006883</u> |
| North Utah County Water Conservancy district rate: | | | | |
| Water conservancy | 0.000036 | 0.000035 | 0.000033 | 0.000028 |
| | <u>0.011229</u> | <u>0.011279</u> | <u>0.011196</u> | <u>0.011030</u> |

Source: website--www.taxrates.utah.gov

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------|----------|----------|----------|----------|----------|
| 0.001690 | 0.001690 | 0.001690 | 0.001856 | 0.001957 | 0.001994 |
| 0.000926 | 0.000906 | 0.001078 | 0.001138 | 0.001196 | 0.001189 |
| 0.002616 | 0.002596 | 0.002768 | 0.002994 | 0.003153 | 0.003183 |
| 0.000648 | 0.000632 | 0.000682 | 0.000747 | 0.000793 | 0.000803 |
| 0.000098 | 0.000082 | 0.000093 | 0.000072 | 0.000045 | 0.000011 |
| 0.000097 | 0.000095 | 0.000103 | 0.000289 | 0.000305 | 0.000313 |
| 0.000157 | 0.000296 | 0.000325 | 0.000186 | 0.000199 | 0.000197 |
| 0.001000 | 0.001105 | 0.001203 | 0.001294 | 0.001342 | 0.001324 |
| 0.000022 | 0.000020 | 0.000020 | 0.000023 | 0.000025 | 0.000000 |
| 0.000106 | 0.000100 | 0.000097 | 0.000109 | 0.000117 | 0.000000 |
| 0.000135 | 0.000123 | 0.000122 | 0.000137 | 0.000148 | 0.000000 |
| 0.000400 | 0.000391 | 0.000400 | 0.000400 | 0.000431 | 0.000000 |
| 0.000718 | 0.000718 | 0.000743 | 0.000836 | 0.000494 | 0.000000 |
| 0.000360 | 0.000349 | 0.000368 | 0.000415 | 0.000850 | 0.000771 |
| 0.002485 | 0.002638 | 0.002758 | 0.003205 | 0.003437 | 0.003350 |
| 0.002711 | 0.002718 | 0.003033 | 0.003095 | 0.003310 | 0.004707 |
| 0.006937 | 0.007057 | 0.007541 | 0.008220 | 0.008812 | 0.008828 |
| 0.000022 | 0.000022 | 0.000024 | 0.000026 | 0.000028 | 0.000029 |
| 0.010575 | 0.010780 | 0.011536 | 0.012534 | 0.013335 | 0.013364 |

CITY OF CEDAR HILLS

Assessed Value and Actual Value of Taxable Property Last Ten Years

| Year Ended June 30, | Primary Residential Property | Secondary or Non-Residential Property | Less: Tax-Exempt Real Property (1) | Total Taxable Assessed Value | Total Taxable Assessed Value as a Percentage of Actual Value | Estimated Total Fair Market Value (2) | Total Direct Rate |
|---------------------|------------------------------|---------------------------------------|------------------------------------|------------------------------|--|---------------------------------------|-------------------|
| 2003 | \$ 373,167,156 | \$ 8,643,777 | \$ 164,797,537 | \$ 217,013,396 | 56.38% | \$ 384,938,616 | 0.001988 |
| 2004 | 416,988,822 | 12,052,271 | 185,279,949 | 243,761,144 | 56.50% | 431,406,114 | 0.001700 |
| 2005 | 461,014,095 | 11,745,893 | 204,867,312 | 267,892,676 | 56.36% | 475,349,019 | 0.001690 |
| 2006 | 666,600,800 | 8,029,497 | 297,078,644 | 377,551,653 | 55.73% | 677,461,477 | 0.002857 |
| 2007 | 833,417,418 | 8,973,736 | 372,030,474 | 470,360,680 | 55.64% | 845,398,518 | 0.002616 |
| 2008 | 831,591,915 | 13,058,235 | 370,875,773 | 473,774,377 | 55.87% | 847,990,739 | 0.002596 |
| 2009 | 662,907,922 | 38,606,727 | 294,452,224 | 407,062,425 | 57.71% | 705,370,990 | 0.002768 |
| 2010 | 604,890,929 | 30,843,787 | 268,140,320 | 367,594,396 | 57.45% | 639,795,314 | 0.002994 |
| 2011 | 571,184,109 | 32,628,197 | 252,968,317 | 350,843,989 | 57.72% | 607,876,838 | 0.003153 |
| 2012 | N/A | N/A | N/A | N/A | N/A | N/A | 0.003183 |

Source(s): Utah State Tax Commission--Entity Year-End Value Reports. Values at <http://propertytax.utah.gov/reports-and-statistics.html>, and total direct rate at <http://www.taxrates.utah.gov>.

- Notes:
- # Statute 59-2-103 states 45% of the value of primary residential property is specifically exempt under the constitution of Utah.
 - # Estimated actual value of real property is a net market value--property value subject to tax after reductions made for greenbelt, full or part exemptions.
 - # The effective tax rate is the accumulated weighted average of all individual rates applied by the County.

CITY OF CEDAR HILLS

**Property Tax Levies and Collections (4)
Last Ten Fiscal Years**

| Fiscal Year Ended June 30 (1) | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|--------------------------------------|---|------------|---------------------------------------|------------------------------|------------|
| | | Amount | Percentage | | Amount | Percentage |
| | | Collected | of Levy | | Collected (2) | of Levy |
| 2003 | \$ 411,891 | \$ 365,557 | 88.75% | \$ 46,334 | \$ 411,891 | 100.00% |
| 2004 | 414,394 | 360,112 | 86.90% | \$ 54,282 | 414,394 | 100.00% |
| 2005 | 452,739 | 406,918 | 89.88% | \$ 45,821 | 452,739 | 100.00% |
| 2006 | 1,078,665 | 993,830 | 92.14% | \$ 84,835 | 1,078,665 | 100.00% |
| 2007 | 1,230,464 | 1,136,774 | 92.39% | \$ 93,393 | 1,230,167 | 99.98% |
| 2008 | 1,229,918 | 1,120,641 | 91.12% | \$ 107,367 | 1,228,008 | 99.84% |
| 2009 | 1,126,749 | 1,066,756 | 94.68% | \$ 57,255 | 1,124,011 | 99.76% |
| 2010 | 1,100,578 | 1,047,191 | 95.15% | \$ 47,121 | 1,094,312 | 99.43% |
| 2011 | 1,106,211 | 1,056,859 | 95.54% | \$ 37,415 | 1,094,274 | 98.92% |
| 2012 | N/A | N/A | N/A | N/A | N/A | N/A |

Source: County Treasurer Annual Tax Settlement
<http://utahcounty.gov/dept/treas/fiscalreport.html>

Notes:

- (1) 2012 numbers are were not finalized at the time this report was finalized.
- (2) Amounts collected to do not include penalties and interest.

CITY OF CEDAR HILLS

Principal Property Taxpayers Current Year and Nine Years Ago

| Taxpayers | 2012 | | |
|--|----------------------|------|--|
| | Taxable Value | Rank | Percentage of Total Taxable Values (4) |
| Wal-Mart | \$ 9,353,200 | 1 | 2.7% |
| The Charleston at Cedar Hills | 3,219,195 | 2 | 0.9% |
| Lexington Heights Professional Offices | 2,097,145 | 3 | 0.6% |
| Pacificorp | 1,445,835 | 4 | 0.4% |
| JPMorgan Chase Bank | 1,174,000 | 5 | 0.3% |
| Questar Gas | 1,107,956 | 6 | 0.3% |
| McDonald's | 1,056,000 | 7 | 0.3% |
| Pacificorp | 905,886 | 8 | 0.3% |
| Amsource Cedar Hills | 711,800 | 9 | 0.2% |
| SLML LLC. | 604,500 | 10 | 0.2% |
| LPI LLC | - | | - |
| Savage Rock Products Corp | - | | - |
| Property Reserve Inc | - | | - |
| Deseret Title Holding Corp | - | | - |
| Panda Bear Homes INC | - | | - |
| Lone Peak Links LC | - | | - |
| Totals | <u>\$ 21,675,517</u> | | <u>6.2%</u> |

Source: Utah County Treasurer custom report by Cary McConnell.

Notes:

- (1) Percentage of total taxable values equals the taxable value divided by the total taxable value of \$350,843,989, which is the value for 2011, because 2012 wasn't final on the Utah State Tax Commission website.
- (2) Percentage of total taxable values equals the taxable value divided by the total taxable value of \$217,013,396.

2003

| <u>Taxable Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Values (5)</u> |
|----------------------|-------------|---|
| \$ - | | - |
| - | | - |
| - | | - |
| 1,307,197 | 1 | 0.6% |
| - | | - |
| 526,485 | 6 | 0.2% |
| - | | - |
| - | | - |
| - | | - |
| - | | - |
| 1,113,200 | 2 | 0.5% |
| 665,570 | 3 | 0.3% |
| 664,000 | 4 | 0.3% |
| 532,400 | 5 | 0.2% |
| 487,500 | 7 | 0.2% |
| 482,700 | 8 | 0.2% |
| <u>\$ 5,779,052</u> | | <u>2.5%</u> |

CITY OF CEDAR HILLS

Ratios of Outstanding Debt by Type
Last Nine Years

| Year | Governmental Activities | | | Business-Type Activities | |
|------|-------------------------|--------------------------|---------------------|---------------------------|---------------|
| | Notes Payable | Excise Tax Revenue Bonds | Lease Revenue Bonds | Capital Lease Obligations | Notes Payable |
| 2004 | \$ 4,780 | \$ 261,000 | \$ 665,000 | \$ 477,387 | \$ 263,227 |
| 2005 | - | 224,000 | 630,000 | 416,481 | 200,245 |
| 2006 | - | 2,509,000 | 595,000 | 140,863 | - |
| 2007 | - | 2,467,000 | 555,000 | 275,226 | - |
| 2008 | - | 2,275,000 | 515,000 | 259,816 | - |
| 2009 | - | 2,220,000 | 475,000 | 308,417 | - |
| 2010 | - | 2,160,000 | 440,000 | 406,357 | - |
| 2011 | - | 2,100,000 | 400,000 | 289,554 | - |
| 2012 | - | 2,035,000 | - | 120,651 | - |

Source: For outstanding debt details, see the notes to the basic financial statements.

| Business-Type Activities (continued) | | | | | |
|---|---------------------------------|----------------------------|------------------------------|-------------------|-------------------|
| Lines of Credit | General Obligation Bonds | Lease Revenue Bonds | Utility Revenue Bonds | Total City | Per Capita |
| \$ 6,000,000 | \$ - | \$ 6,427,000 | \$ - | \$ 14,098,394 | \$ 6,727 |
| 5,841,391 | - | 6,427,000 | - | \$ 13,739,117 | 7,943 |
| - | 6,250,000 | - | 6,215,000 | \$ 15,709,863 | 8,950 |
| - | 6,185,000 | - | 6,005,000 | \$ 15,487,226 | 9,391 |
| - | 6,060,000 | - | 7,885,000 | \$ 16,994,816 | 9,704 |
| - | 5,930,000 | - | 8,545,000 | \$ 17,478,417 | 9,788 |
| - | 5,795,000 | - | 8,238,000 | \$ 17,039,357 | 9,796 |
| - | 5,655,000 | - | 7,973,000 | \$ 16,417,554 | 9,841 |
| - | 5,510,000 | - | 7,681,000 | \$ 15,346,651 | 10,066 |

CITY OF CEDAR HILLS

Ratios of General Bonded Debt Outstanding
Last Ten Years

| <u>Year</u> | <u>General Obligation Bonds</u> | <u>Estimated Actual Value of Property</u> | <u>Percentage of Estimated Actual Value of Property</u> | <u>Population</u> | <u>G.O. Bonded Debt Per Capita</u> |
|-------------|---|---|---|-------------------|--|
| 2003 | \$ - | \$ 384,938,616 | 0.00% | 5,710 | \$ - |
| 2004 | - | 431,406,114 | 0.00% | 6,727 | - |
| 2005 | - | 475,349,019 | 0.00% | 7,943 | - |
| 2006 | 6,250,000 | 677,461,477 | 0.92% | 8,950 | 698 |
| 2007 | 6,185,000 | 845,398,518 | 0.73% | 9,391 | 659 |
| 2008 | 6,060,000 | 847,990,739 | 0.71% | 9,704 | 624 |
| 2009 | 5,930,000 | 705,370,990 | 0.84% | 9,788 | 606 |
| 2010 | 5,795,000 | 639,795,314 | 0.91% | 9,796 | 592 |
| 2011 | 5,655,000 | 607,876,838 | 0.93% | 9,841 | 575 |
| 2012 | 5,510,000 | N/A | N/A | 10,066 | 547 |

Source: For outstanding debt details, see notes to the basic financial statements and statistical section Debt Service Schedule of Outstanding Bonds.

CITY OF CEDAR HILLS

**Computation of Direct and Overlapping Debt
June 30, 2012**

| Entity | 2011 Taxable Value (1) | City's Portion of Taxable Value | City's Percentage | Entity's General Obligation Debt | City's Portion of G.O. Debt |
|--|------------------------------|---------------------------------------|----------------------|---|-----------------------------------|
| Utah County | \$ 25,042,343,329 | \$ 350,843,989 | 0.318% | \$ 4,220,000 | \$ 59,122 |
| Alpine School District | 15,178,935,192 | 350,843,989 | 1.401% | 490,320,000 | 11,331,295 |
| Central Utah Water Conservancy District | 110,409,370,348 (2) | 350,843,989 | 2.311% | 266,515,000 (3) | 847,518 |
| Total Overlapping General Obligation Debt (Excluding the State) (4) | | | | | \$ 12,237,935 |
| Total Direct General Obligation Bonded Indebtedness (5) | | | | | \$ 6,280,000 |
| Total Direct and Overlapping General Obligation Debt (Excluding the State) (5) | | | | | \$ 18,517,935 |

Sources: Utah State Tax commission and taxing entities.

- Notes: (1) Taxable value used in this table includes the taxable value used to determine uniform fees on tangible personal property.
 (2) 2011 taxable value as established by Utah State Tax Commission
 (3) Amount of general obligation debt as of December 31, 2011 per taxing entity
 (4) The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of its general obligation bonds.
 (5) Includes the Series 2012 Bonds.

CITY OF CEDAR HILLS

**Legal Debt Margin Information
Last Ten Years**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Debt limit (12%) | \$ 26,041,608 | \$ 29,251,337 | \$ 32,147,121 | \$ 45,306,198 |
| Total general obligation debt applicable to the limit | - | - | - | 6,250,000 |
| Legal debt margin | <u>\$ 26,041,608</u> | <u>\$ 29,251,337</u> | <u>\$ 32,147,121</u> | <u>\$ 39,056,198</u> |
| Percentage of net debt contracting margin available | 100.00% | 100.00% | 100.00% | 86.20% |

Notes:

- (1) The general obligation indebtedness of the City is limited by Utah law to twelve percent of the "reasonable fair cash value" of taxable property in the City. 4% for general purposes and 8% for sewer, water, or lighting.
- (2) Statute 59-2-103 states 45% of the value of primary residential property is specifically exempt under the Constitution of Utah.
- (3) Legal debt margin calculation for 2012:

| | <u>Taxable Value (2)</u> |
|--|--------------------------|
| Residential values | \$ 571,184,109 |
| Non-residential values | \$ 32,628,197 |
| Exempt property | <u>(252,968,317)</u> |
| Totals | <u>\$ 350,843,989</u> |
| Debt limit (adjusted fair market value x 0.12) | \$ 42,101,279 |
| Debt applicable to limit: | |
| General obligation bonds | <u>5,510,000</u> |
| Legal debt margin | <u>\$ 36,591,279</u> |

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 56,443,282 | \$ 56,852,925 | \$ 48,847,491 | \$ 44,111,328 | \$ 42,101,279 | \$ 42,101,279 |
| <u>6,185,000</u> | <u>6,060,000</u> | <u>5,930,000</u> | <u>5,795,000</u> | <u>5,655,000</u> | <u>5,510,000</u> |
| <u>\$ 50,258,282</u> | <u>\$ 50,792,925</u> | <u>\$ 42,917,491</u> | <u>\$ 38,316,328</u> | <u>\$ 36,446,279</u> | <u>\$ 36,591,279</u> |
| 89.04% | 89.34% | 87.86% | 86.86% | 86.57% | 86.91% |

CITY OF CEDAR HILLS

Debt Service Schedule of Outstanding Bonds (By Year)
June 30, 2012

| | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------------|--|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Obligations Bonds | | | | | | | | | | | |
| Series 2005 | Refunded 2001 MBA Bonds, which was | Principal | \$ 150,000 | \$ 155,000 | \$ 160,000 | \$ 165,000 | \$ 175,000 | \$ 180,000 | \$ 190,000 | \$ 195,000 | \$ 205,000 |
| \$ 6,250,000 | used for Golf Course improvements. | Interest | 234,120 | 228,120 | 221,920 | 215,520 | 208,920 | 201,920 | 194,720 | 187,120 | 179,320 |
| | | | <u>\$ 384,120</u> | <u>\$ 383,120</u> | <u>\$ 381,920</u> | <u>\$ 380,520</u> | <u>\$ 383,920</u> | <u>\$ 381,920</u> | <u>\$ 384,720</u> | <u>\$ 382,120</u> | <u>\$ 384,320</u> |
| Excise Tax Revenue Bonds | | | | | | | | | | | |
| Series 2006 | Used to finance the construction of | Principal | \$ 65,000 | \$ 70,000 | \$ 75,000 | \$ 75,000 | \$ 80,000 | \$ 80,000 | \$ 85,000 | \$ 90,000 | \$ 90,000 |
| \$ 6,845,000 | the public works building. | Interest | 86,663 | 83,963 | 81,063 | 78,063 | 74,963 | 71,663 | 68,156 | 64,438 | 60,613 |
| | Total | | <u>\$ 151,663</u> | <u>\$ 153,963</u> | <u>\$ 156,063</u> | <u>\$ 153,063</u> | <u>\$ 154,963</u> | <u>\$ 151,663</u> | <u>\$ 153,156</u> | <u>\$ 154,438</u> | <u>\$ 150,613</u> |
| Utility Revenue Bonds | | | | | | | | | | | |
| Series 2006 | Refunded \$5.8 million line of credit, | Principal | \$ 180,000 | \$ 185,000 | \$ 195,000 | \$ 200,000 | \$ 210,000 | \$ 215,000 | \$ 230,000 | \$ 240,000 | \$ 250,000 |
| \$ 6,215,000 | 1998 and 2000 Note payables used for | Interest | 222,962 | 216,212 | 208,812 | 201,012 | 193,012 | 184,612 | 175,476 | 165,700 | 155,500 |
| | water system improvements, and | | | | | | | | | | |
| | funded \$190,000 in new water pumps. | | | | | | | | | | |
| Series 2007 | Used to finance the construction of a | Principal | 89,000 | 92,000 | 94,000 | 97,000 | 99,000 | 102,000 | 105,000 | 107,000 | 110,000 |
| \$ 2,090,000 | new well. | Interest | 47,588 | 45,176 | 42,683 | 40,135 | 37,506 | 34,824 | 32,059 | 29,214 | 26,314 |
| Series 2009 | Used to finance pressured irrigation | Principal | 30,000 | 30,000 | 35,000 | 35,000 | 40,000 | 40,000 | 45,000 | 45,000 | 50,000 |
| \$ 930,000 | improvements. | Interest | 50,616 | 48,819 | 47,022 | 44,925 | 42,829 | 40,433 | 38,037 | 35,341 | 32,646 |
| | Total principal | | 299,000 | 307,000 | 324,000 | 332,000 | 349,000 | 357,000 | 380,000 | 392,000 | 410,000 |
| | Total interest | | 321,166 | 310,207 | 298,517 | 286,072 | 273,347 | 259,869 | 245,572 | 230,255 | 214,460 |
| | Total | | <u>\$ 620,166</u> | <u>\$ 617,207</u> | <u>\$ 622,517</u> | <u>\$ 618,072</u> | <u>\$ 622,347</u> | <u>\$ 616,869</u> | <u>\$ 625,572</u> | <u>\$ 622,255</u> | <u>\$ 624,460</u> |
| Total All Bonds | | | | | | | | | | | |
| | Total principal | | \$ 514,000 | \$ 532,000 | \$ 559,000 | \$ 572,000 | \$ 604,000 | \$ 617,000 | \$ 655,000 | \$ 677,000 | \$ 705,000 |
| | Total interest | | 641,948 | 622,289 | 601,499 | 579,655 | 557,229 | 533,451 | 508,448 | 481,813 | 454,392 |
| | Total all bonds | | <u>\$ 1,155,948</u> | <u>\$ 1,154,289</u> | <u>\$ 1,160,499</u> | <u>\$ 1,151,655</u> | <u>\$ 1,161,229</u> | <u>\$ 1,150,451</u> | <u>\$ 1,163,448</u> | <u>\$ 1,158,813</u> | <u>\$ 1,159,392</u> |

| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033-2035 | Total |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|----------------------|
| \$ 210,000 | \$ 220,000 | \$ 230,000 | \$ 240,000 | \$ 250,000 | \$ 260,000 | \$ 270,000 | \$ 280,000 | \$ 295,000 | \$ 310,000 | \$ 320,000 | \$ 1,050,000 | \$ 5,510,000 |
| 171,120 | 162,720 | 153,700 | 144,270 | 134,190 | 123,690 | 112,510 | 100,900 | 88,580 | 75,600 | 61,650 | 95,850 | 3,296,460 |
| <u>\$ 381,120</u> | <u>\$ 382,720</u> | <u>\$ 383,700</u> | <u>\$ 384,270</u> | <u>\$ 384,190</u> | <u>\$ 383,690</u> | <u>\$ 382,510</u> | <u>\$ 380,900</u> | <u>\$ 383,580</u> | <u>\$ 385,600</u> | <u>\$ 381,650</u> | <u>\$ 1,145,850</u> | <u>\$ 8,806,460</u> |
| \$ 95,000 | \$ 100,000 | \$ 105,000 | \$ 110,000 | \$ 115,000 | \$ 120,000 | \$ 125,000 | \$ 130,000 | \$ 135,000 | \$ 140,000 | \$ 150,000 | \$ - | \$ 2,035,000 |
| 56,681 | 52,475 | 47,991 | 43,288 | 38,366 | 33,225 | 27,788 | 22,050 | 16,088 | 9,900 | 3,375 | - | 1,020,806 |
| <u>\$ 151,681</u> | <u>\$ 152,475</u> | <u>\$ 152,991</u> | <u>\$ 153,288</u> | <u>\$ 153,366</u> | <u>\$ 153,225</u> | <u>\$ 152,788</u> | <u>\$ 152,050</u> | <u>\$ 151,088</u> | <u>\$ 149,900</u> | <u>\$ 153,375</u> | <u>\$ -</u> | <u>\$ 3,055,806</u> |
| \$ 260,000 | \$ 270,000 | \$ 285,000 | \$ 295,000 | \$ 310,000 | \$ 320,000 | \$ 335,000 | \$ 350,000 | \$ 365,000 | \$ 385,000 | \$ - | \$ - | \$ 5,080,000 |
| 144,250 | 132,550 | 120,400 | 107,576 | 94,300 | 80,350 | 65,950 | 50,876 | 34,688 | 17,806 | - | - | 2,572,044 |
| 113,000 | 116,000 | 120,000 | 123,000 | 126,000 | 130,000 | 133,000 | - | - | - | - | - | 1,756,000 |
| 23,333 | 20,271 | 17,127 | 13,875 | 10,542 | 7,127 | 3,604 | - | - | - | - | - | 431,378 |
| 50,000 | 55,000 | 55,000 | 60,000 | 65,000 | 65,000 | 70,000 | 75,000 | - | - | - | - | 845,000 |
| 29,651 | 26,656 | 23,361 | 20,067 | 16,473 | 12,579 | 8,686 | 4,493 | - | - | - | - | 522,628 |
| 423,000 | 441,000 | 460,000 | 478,000 | 501,000 | 515,000 | 538,000 | 425,000 | 365,000 | 385,000 | - | - | 7,681,000 |
| 197,234 | 179,477 | 160,888 | 141,518 | 121,315 | 100,056 | 78,240 | 55,369 | 34,688 | 17,806 | - | - | 3,526,050 |
| <u>\$ 620,234</u> | <u>\$ 620,477</u> | <u>\$ 620,888</u> | <u>\$ 619,518</u> | <u>\$ 622,315</u> | <u>\$ 615,056</u> | <u>\$ 616,240</u> | <u>\$ 480,369</u> | <u>\$ 399,688</u> | <u>\$ 402,806</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,207,050</u> |
| \$ 728,000 | \$ 761,000 | \$ 795,000 | \$ 828,000 | \$ 866,000 | \$ 895,000 | \$ 933,000 | \$ 835,000 | \$ 795,000 | \$ 835,000 | \$ 470,000 | \$ 1,050,000 | \$ 15,226,000 |
| 425,035 | 394,672 | 362,579 | 329,075 | 293,870 | 256,971 | 218,537 | 178,319 | 139,356 | 103,306 | 65,025 | 95,850 | 7,843,316 |
| <u>\$ 1,153,035</u> | <u>\$ 1,155,672</u> | <u>\$ 1,157,579</u> | <u>\$ 1,157,075</u> | <u>\$ 1,159,870</u> | <u>\$ 1,151,971</u> | <u>\$ 1,151,537</u> | <u>\$ 1,013,319</u> | <u>\$ 934,356</u> | <u>\$ 938,306</u> | <u>\$ 535,025</u> | <u>\$ 1,145,850</u> | <u>\$ 23,069,316</u> |

CITY OF CEDAR HILLS

**Pledged-Revenue Coverage
Last Nine Years**

| Year | Excise Tax Revenue Bonds (1) | | | | Utility Revenue Bonds | | | |
|------|------------------------------|--------------|-----------|----------|-----------------------|--------------|---------|----------|
| | Franchise Taxes | Debt Service | | Coverage | Utility Revenues (2) | Debt Service | | Coverage |
| | Principal | Interest | Principal | | | Interest | | |
| 2004 | \$ 156,179 | \$ - | \$ - | N/A | \$ 1,055,639 | \$ - | \$ - | N/A |
| 2005 | 221,327 | - | - | N/A | 1,353,378 | - | - | N/A |
| 2006 | 283,016 | - | - | N/A | 1,678,169 | - | - | N/A |
| 2007 | 280,527 | - | 54,206 | 5.2 | 1,618,393 | 210,000 | 253,240 | 3.5 |
| 2008 | 405,318 | 50,000 | 98,563 | 2.7 | 2,016,177 | 210,000 | 281,129 | 4.1 |
| 2009 | 432,005 | 55,000 | 96,463 | 2.9 | 2,050,184 | 270,000 | 306,189 | 3.6 |
| 2010 | 446,750 | 60,000 | 91,763 | 2.9 | 2,383,938 | 307,000 | 350,902 | 3.6 |
| 2011 | 471,635 | 60,000 | 91,763 | 3.1 | 2,634,734 | 265,000 | 341,385 | 4.3 |
| 2012 | 462,371 | 65,000 | 89,263 | 3.0 | 2,754,599 | 292,000 | 331,884 | 4.4 |

Source: For outstanding debt details, see the notes to the basic financial statements.

Notes: (1) Only includes excise tax revenue bonds there were outstanding as of June 30, 2012.

(2) Includes impact fees.

CITY OF CEDAR HILLS

Demographic and Economic Statistics
Last Ten Years

| Year | Population (3) | Personal Income (amounts in thousands) (5) | Household Median Income (1) | School Enrollment (4) | Unemployment % Rate (2) |
|------|----------------|--|-----------------------------|-----------------------|-------------------------|
| 2003 | 5,710 | 81,667,019 | \$ 64,457 | 1,389 | 5.3 |
| 2004 | 6,727 | 100,692,710 | 67,579 | 1,562 | 4.8 |
| 2005 | 7,879 | 125,231,575 | 70,553 | 1,741 | 4.0 |
| 2006 | 8,736 | 152,164,000 | 76,082 | 1,779 | 2.9 |
| 2007 | 9,185 | 171,174,642 | 80,819 | 1,901 | 2.5 |
| 2008 | 9,487 | 173,074,916 | 78,742 | 1,969 | 3.4 |
| 2009 | 9,607 | 165,491,808 | 74,951 | 2,021 | 7.3 |
| 2010 | 9,796 | 169,470,630 | 76,545 | 1,924 | 7.9 |
| 2011 | 9,841 | N/A | N/A | 1,980 | 6.5 |
| 2012 | 10,066 | N/A | N/A | 1,975 | 5.6 |

Sources:

- (1) 2004-2011 data was updated using the Utah Governor's Office of Planning and Budget and the U.S. Bureau of Economic Analysis website from statistical information provided on the 2011 Economic Report to the Governor 2011-2012 statistics were not available for per capita income and personal income
- (2) Utah County Labor Force, Not Seasonally Adjusted (Annual Average) Data 2003-2012 are revised based on statistical information provided by Utah Department of Workforce Services — www.jobs.utah.gov/jsp/wi/utalmis/.
- (3) Utah Population Estimates Committee, Utah Governor's Office of Planning and Budget website 2010 Data - US Census Bureau
- (4) Utah State Office of Education--Superintendent's Annual Report (Note: School statistic represent Cedar Ridge and Deerfield Elementary in Alpine School District

CITY OF CEDAR HILLS

Principal Employers (2)
Most Current Calendar Year

| <u>Employer</u> | <u>Industry</u> | <u>2011</u> | | |
|-------------------------------------|----------------------------------|------------------------|-------------|--|
| | | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> |
| Brigham Young University | Higher Education | 15,000 - 19,999 | 1 | 7.33% - 9.78% |
| Alpine School District | Public Education | 5,000 - 6,999 | 2 | 2.44% - 3.42% |
| Utah Valley Regional Medical Center | Health Care | 4,000 - 4,999 | 3 | 1.96% - 2.44% |
| Nebo School District | Public Education | 3,000 - 3,999 | 4 | 1.47% - 1.96% |
| Utah Valley University | Higher Education | 3,000 - 3,999 | 4 | 1.47% - 1.96% |
| State of Utah | State Government | 3,000 - 3,999 | 4 | 1.47% - 1.96% |
| Wal-Mart | Discount Department Store | 2,000 - 2,999 | 7 | 0.98% - 1.47% |
| Utah Office Supply | Office supplies | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| Provo School District | Public Education | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| IM Flash Technologies | Electronic Product Manufacturing | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| Nestle USA | Food Manufacturing | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| United States Government | Federal Government | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| Utah County | Local Government | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| Provo City | Local Government | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| APX Alarm Security Solutions | Electrical Contractors | 1,000 - 1,999 | 8 | 0.49% - 0.98% |
| Total | | <u>43,000 - 62,985</u> | | <u>21.02% - 30.80%</u> |

Source: Utah Department of Workforce Services.

Notes:

- (1) Information for Utah County was used, since information is not available for the City. 2011 information was used because the 2012 information was not available.
- (2) Workforce Services compiled the numbers for 2011. Total labor force for the County in 2011 is 204,526 employed

CITY OF CEDAR HILLS

**Full-Time Equivalent City Government Employees By Function (1)
Last Ten Years**

| FUNCTION | Full-Time Equivalent Employees as of December 31, | | | | | | | | | |
|--------------------------|---|------|------|------|------|------|------|------|------|------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Government | 6.5 | 6.5 | 7.0 | 6.5 | 7.5 | 7.5 | 7.5 | 8.0 | 9.0 | 9.0 |
| Streets and public works | 6.5 | 7.8 | 9.0 | 9.0 | 10.0 | 10.0 | 11.0 | 11.0 | 10.0 | 10.0 |
| Parks and recreation | - | 1.0 | 1.0 | - | 1.0 | 1.0 | 1.5 | 1.5 | 1.5 | 2.5 |
| Golf | - | - | - | - | - | 3.0 | 3.0 | 4.0 | 4.0 | 3.0 |
| Total | 13.0 | 15.3 | 17.0 | 15.5 | 18.5 | 21.5 | 23.0 | 24.5 | 24.5 | 24.5 |

Source: Various City of Cedar Hills Budget Documents

CITY OF CEDAR HILLS

Capital Asset Statistics Last Nine Years

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Highways and streets: | | | | | | | | | |
| Miles of road | 22 | 22 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Recreation: | | | | | | | | | |
| Neighbor Pocket Parks | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Parks | 3 | 3 | 3 | 4 | 4 | 5 | 5 | 5 | 5 |
| Golf Course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation/Event Center | - | - | - | - | - | - | - | - | 1 |

Source: City of Cedar Hills budget document

ADDITIONAL INFORMATION

December 18, 2012

Honorable Mayor and City Council
Cedar Hills City
Cedar Hills, Utah

Dear Mayor and Council:

In planning and performing our audit of the financial statements of the Cedar Hills City, UT (the City) as of and for the year ending June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Cedar Hills's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

CURRENT YEAR FINDING

Finding 2012-1: *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that the general fund's general government department actual expenditures exceeded the appropriations.

Recommendation:

We recommend that the City monitor the general fund balances throughout the year and only spend funds that have been approved by the Council in the budget.

Management response:

The City monitored and revised the budget for legal services in the spring of 2012, but legal services ended up almost \$40,000 more than the revision. The legal services expenditure line item caused the administrative department to exceed their budget by approximately \$10,000.

Also, for financial reporting purposes, the annual report grouped public works, building and zoning, solid waste and recycling into the general government department in prior years. In 2012, these functional expenditures were broken down to provide more detail for the users of the financial statements. In public works and solid waste functions the City expended approximately \$125,000 less than budgeted to keep the general fund under budget overall.

PRIOR YEAR FINDING

Finding 2011-1: *General unrestricted fund balance (state compliance)*

The City's unrestricted fund balance in the general fund exceeded the maximum amount allowed by State law.

Recommendation:

Monitor the unrestricted balance in the general fund and transfer funds before the balance approaches 18% of the estimated general fund revenues.

Management response:

The City will amend the 2012 General Fund budget and transfer the excess to the Capital Projects Fund. The unreserved fund balance will be monitored closely in the future.

Status:

The City transferred funds to the Capital Projects Fund and were in compliance as of June 30, 2012.

In conclusion, we wish to recognize Charl Louw and the accounting staff for their excellent services provided to Cedar Hills City. They have been most cooperative in assisting us in the performance of the audit for the 2011-2012 fiscal year. The performance of the Cedar Hills City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

ALLRED JACKSON

A handwritten signature in cursive script, appearing to read "Diana Cannell".

Diana Cannell, CPA

ADDITIONAL AUDITORS' REPORTS

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

Honorable Mayor and City Council
Cedar Hills City
Cedar Hills, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Cedar Hills City, Utah (the City) as of and for the year ended June 30, 2012, which collectively comprise the City of Cedar Hills’s basic financial statements and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

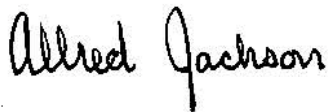
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as finding 2012-1.

We noted certain matters that we reported to management of Cedar Hills City in a separate letter dated December 18, 2012.

The City of Cedar Hills's response to the finding identified in our audit is described in the accompanying management letter. We did not audit the City's response and, accordingly, we express no opinion on it.

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



North Logan, Utah
December 18, 2012

**INDEPENDENT AUDITOR'S REPORT ON
STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council
Cedar Hills City
Cedar Hills, Utah

We have audited Cedar Hills City, Utah (the City)'s compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

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

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

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

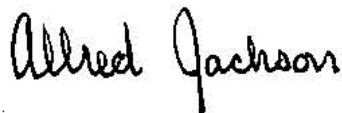
Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, Cedar Hills City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the compliance requirements that are applicable to each major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in our letter to management dated December 18, 2012 as items 2012-1.

The city's written response to the finding identified in our audit is described in the accompanying management letter. We did not audit the city's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large initial 'A'.

December 18, 2012