

**CITY OF CEDAR HILLS**

Financial Statements

June 30, 2010

# CITY OF CEDAR HILLS

## Table of Contents

June 30, 2010

Independent Auditors' Report	1
Management's Discussion and Analysis (unaudited)	3
Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to Government-wide Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
Proprietary Funds	
Statement of Net Assets	20
Statement of Revenues, Expenses, and Changes in Net Assets	22
Statement of Cash Flows	23
Notes to Financial Statements	25
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	43
Other Supplementary Information	
Individual Fund Financial Statements and Schedules	
General Fund	
Balance Sheet	46
Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual	47
Capital Projects Fund	
Balance Sheet	50
Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual	51
Proprietary Funds	
Sewer and Water Fund	
Statement of Net Assets	53
Statement of Revenues, Expenses, and Changes in Net Assets—Budget and Actual	55

**CITY OF CEDAR HILLS**  
Table of Contents (*Continued*)

June 30, 2010

Golf Course Fund	
Statement of Net Assets	56
Statement of Revenues, Expenses, and Changes in Net Assets—Budget and Actual	58
Internal Service Fund—Motor Pool	
Statement of Net Assets	59
Statement of Revenues, Expenses, and Changes in Net Assets—Budget and Actual	60
Additional Schedules	
Schedule of Audit Findings	62
Property Tax Levies and Collections	64
Information on Water Utility System	65
Additional Auditors' Reports	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67
Utah State Compliance Report Based on the Requirements, Special Tests, and Provisions Required by the State of Utah's Legal Compliance Audit Guide	69



## 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 the Cedar Hills City, Utah (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2010 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 important for assessing the results for our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary information on pages 3 through 10 and page 43 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 basic financial statements. The individual nonmajor fund statements and additional schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to 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 additional schedules of property tax levies and collections and information on water utility system have 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.

*Alfred Jackson*

December 6, 2010

## 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, 2010.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Cedar Hills exceeded the liabilities as of the close of the most recent year by \$42,383,434 (net assets). Of this amount \$2,532,532 (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 \$469,124, before inter-fund transfers.
- At the close of the fiscal year, the fund balance of the general fund totaled \$870,936, of which \$381,509 is reserved and \$489,427 is unreserved. State statutes allow a maximum fund balance of 18 percent of total 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, and library. The business-type activities of the City include Water and Sewer, Motor Pool, and the City 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 \$42,383,434 (net assets) at the close of the most recent fiscal year.

The majority of the City's net assets (approximately 94 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 \$2,532,532 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2010, 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.

	Governmental Activities	Business-Type Activities	2010 Total	2009 Total
<b>Assets</b>				
Current and other assets	\$ 8,884,198	\$ 3,018,669	\$ 11,902,868	\$ 12,168,531
Capital assets	\$ 13,075,412	\$ 38,045,741	\$ 51,121,153	\$ 51,450,246
<b>Total assets</b>	<b>\$ 21,959,610</b>	<b>\$ 41,064,410</b>	<b>\$ 63,024,021</b>	<b>\$ 63,618,777</b>
<b>Liabilities</b>				
Long-term liabilities	\$ 2,500,000	\$ 13,917,554	\$ 16,417,554	\$ 16,855,801
Other liabilities	\$ 1,142,816	\$ 3,080,217	\$ 4,223,033	\$ 4,342,252
<b>Total liabilities</b>	<b>\$ 3,642,816</b>	<b>\$ 16,997,771</b>	<b>\$ 20,640,587</b>	<b>\$ 21,198,053</b>
<b>Net assets</b>				
Invested in capital assets, net of debt	\$ 10,475,412	\$ 23,270,251	\$ 33,745,663	\$ 33,627,974
Restricted	\$ 4,906,151	\$ 1,199,087	\$ 6,105,239	\$ 6,487,425
Unrestricted	\$ 2,935,231	\$ (402,699)	\$ 2,532,532	\$ 2,305,325
<b>Total net assets</b>	<b>\$ 18,316,794</b>	<b>\$ 24,066,640</b>	<b>\$ 42,383,434</b>	<b>\$ 42,420,724</b>

## GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by \$169,072.

Property tax collections decreased by \$69,567 from \$941,999 in 2009 to \$872,432 in 2010. This decrease is a result of declining property values and maintaining the 2009 property tax rate.

Sales and use tax collections increased by \$99,887 from \$833,162 in 2009 to \$933,049 in 2010. This increase is primarily a result of the emerging commercial district in Cedar Hills.

	Governmental Activities	Business-Type Activities	2010 Total	2009 Total
<b>Revenues</b>				
Charges for services	\$ 591,480	\$ 3,063,908	\$ 3,655,388	\$ 3,424,275
Operating grants & contributions	\$ 246,682	\$ -	\$ 246,682	\$ 229,690
Capital grants & contributions	\$ 164,526	\$ 62,986	\$ 227,512	\$ 211,408
Property tax	\$ 872,432	\$ 385,260	\$ 1,257,692	\$ 1,326,574
Sales tax	\$ 933,049	\$ -	\$ 933,049	\$ 833,162
Franchise tax	\$ 446,750	\$ -	\$ 446,750	\$ 430,530
Interest income	\$ 42,212	\$ 10,764	\$ 52,976	\$ 193,167
Gain (loss) on sale of assets	\$ 11,677	\$ 21,463	\$ 33,140	\$ 1,390
Miscellaneous	\$ 25,271	\$ -	\$ 25,271	\$ 958,648
Total revenues and transfers	<u>\$ 3,334,080</u>	<u>\$ 3,544,382</u>	<u>\$ 6,878,462</u>	<u>\$ 7,608,845</u>
<b>Expenses</b>				
General government	\$ 2,073,764	\$ -	\$ 2,073,764	\$ 2,144,639
Public safety	\$ 575,232	\$ -	\$ 575,232	\$ 558,750
Parks and recreation	\$ 409,000	\$ -	\$ 409,000	\$ 466,881
Interest on long-term debt	\$ 107,013	\$ -	\$ 107,013	\$ 111,631
Sewer and water	\$ -	\$ 2,511,875	\$ 2,511,875	\$ 2,226,516
Golf course	\$ -	\$ 1,238,869	\$ 1,238,869	\$ 1,221,105
Total expenses	<u>\$ 3,165,009</u>	<u>\$ 3,750,744</u>	<u>\$ 6,915,753</u>	<u>\$ 6,729,523</u>
Change in net assets	\$ 169,072	\$ (206,362)	\$ (37,290)	\$ 879,322
Net assets, beginning of year	<u>\$ 18,147,722</u>	<u>\$ 24,273,002</u>	<u>\$ 42,420,724</u>	<u>\$ 41,541,402</u>
Net assets, end of year	<u>\$ 18,316,794</u>	<u>\$ 24,066,640</u>	<u>\$ 42,383,434</u>	<u>\$ 42,420,724</u>

## LONG-TERM DEBT

The City of Cedar Hills has \$5,795,000 of general obligation debt as of June 30, 2010. The City has a lease revenue bond, three utility revenue bonds, an excise tax revenue bond and six capital leases.

The lease revenue bond was obtained in 1999 in the amount of \$790,000 for the construction of the Public Safety Building which currently serves as the City Hall and the City's Fire Station. The current principal balance on this bond is \$440,000.

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 \$5,795,000.

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 \$5,405,000.

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 \$1,928,000.

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 \$905,000.

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 \$2,160,000.

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 decreased the City's net assets by \$206,362.

Several utility rate changes occurred this year. The sewer base rate increased by \$2.21 per month and sewer usage increased by 50 cents per thousand gallons. In addition, the price for first garbage totes increased by 12 cents per month, second garbage bins increased by 5 cents per month, and each additional recycling toter increased by 16 cents per month. Golf course charges for services decreased by \$70,763.

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

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

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

### **GOVERNMENTAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance 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 fund reported combined ending fund balances of \$7,893,436. Approximately 38 percent of this amount, \$2,987,284, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for roads \$343,053, 2) to pay for capital projects \$4,208,292, and 3) pay for debt service \$354,806.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$489,427. Total fund balance was \$870,936. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents approximately 33 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 \$851,474, Golf Course (\$1,299,059), and Motor Pool Fund \$89,773.

### **BUDGETARY HIGHLIGHTS**

The difference between the original general fund budget (adopted June 2009) and the final general fund amended budget was \$548,200. This may be summarized as follows:

- \$40,200 increase in the General Government
- \$8,000 increase in Parks and Recreation
- \$500,000 increase in Transfers Out

### **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 current year included the following:

- \$37,722 for development of Mesquite Soccer Park
- \$22,500 for the purchase of land
- \$266,655 for improvements to the pressurized irrigation system
- \$238,667 for development of a redundant culinary well
- \$145,200 for the purchase of water stock
- \$140,403 for the purchase of vehicles
- \$183,557 to lease golf carts

Capital Assets	Governmental Activities	Business-Type Activities	2010 Total	2009 Total
Land	\$ 3,416,650	\$ 3,810,023	\$ 7,226,673	\$ 7,204,173
Buildings	\$ 2,771,133	\$ -	\$ 2,771,133	\$ 2,771,133
Equipment	\$ 34,558	\$ -	\$ 34,558	\$ 34,558
Parks	\$ 4,080,243	\$ -	\$ 4,080,243	\$ 4,042,521
Golf course improvements	\$ -	\$ 8,816,773	\$ 8,816,773	\$ 8,772,573
Infrastructure	\$ 3,863,243	\$ -	\$ 3,863,243	\$ 3,863,243
Water improvements	\$ -	\$ 19,041,102	\$ 19,041,102	\$ 18,535,781
Sewer improvements	\$ -	\$ 6,454,837	\$ 6,454,837	\$ 9,555,373
Storm drain improvements	\$ -	\$ 3,115,094	\$ 3,115,094	\$ -
Vehicles	\$ 244,681	\$ 244,681	\$ 489,363	\$ 477,153
Accumulated depreciation	\$ (1,411,497)	\$ (6,975,430)	\$ (8,386,927)	\$ (7,291,302)
Water stock	\$ -	\$ 3,290,379	\$ 3,290,379	\$ 3,145,179
Bond costs, net	\$ 76,402	\$ 248,280	\$ 324,681	\$ 339,861
<b>Total</b>	<b>\$ 13,075,412</b>	<b>\$ 38,045,741</b>	<b>\$ 51,121,153</b>	<b>\$ 51,450,246</b>

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 \$16,633,000 and capital leases totaling \$406,357 for total long-term debt outstanding of \$17,039,357. Refer to long-term debt notes for information on how the debt is secured.

Outstanding Debt	Governmental Activities	Business-Type Activities	2010 Total	2009 Total
Revenue bonds	\$ 2,600,000	\$ 8,238,000	\$ 10,838,000	\$ 11,240,000
General obligation bonds	\$ -	\$ 5,795,000	\$ 5,795,000	\$ 5,930,000
Capital leases	\$ -	\$ 406,357	\$ 406,357	\$ 313,972
<b>Total</b>	<b>\$ 2,600,000</b>	<b>\$ 14,439,357</b>	<b>\$ 17,039,357</b>	<b>\$ 17,483,972</b>

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 \$48,847,491. The City of Cedar Hills has \$5,795,000 in general obligation 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 decrease in new homes. Consequently, growth related revenues will be significantly less than previous years.
- Economic hardships may influence sales tax revenue 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, 3925 West Cedar Hills Drive, Cedar Hills, Utah 84062.

## FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

Government-wide financial statements

Fund financial statements

Governmental funds

Proprietary (enterprise) funds

**CITY OF CEDAR HILLS**  
Government-wide Statement of Net Assets  
June 30, 2010  
With Comparative Totals for June 30, 2009

ASSETS	Primary Government			2009 Restated
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$ 2,966,497	\$ 992,128	\$ 3,958,625	\$ 3,946,828
Receivables (net of allowance)				
Accounts	\$ 9,525	\$ 364,965	\$ 374,490	\$ 304,018
Intergovernmental	\$ 241,738	\$ -	\$ 241,738	\$ 225,992
Property taxes	\$ 654,279	\$ 385,260	\$ 1,039,539	\$ 1,051,368
Garbage billings	\$ 40,706	\$ -	\$ 40,706	\$ 37,884
Other	\$ 36,178	\$ -	\$ 36,178	\$ 56,673
Prepaid expense	\$ 29,124	\$ 25,698	\$ 54,822	\$ 18,773
Inventory	\$ -	\$ 51,531	\$ 51,531	\$ 39,824
Restricted cash and cash equivalents	\$ 4,906,151	\$ 1,199,087	\$ 6,105,239	\$ 6,487,172
Capital assets				
Land	\$ 3,416,650	\$ 3,810,023	\$ 7,226,673	\$ 7,204,173
Buildings	\$ 2,771,133	\$ -	\$ 2,771,133	\$ 2,771,133
Equipment	\$ 34,558	\$ -	\$ 34,558	\$ 34,558
Parks	\$ 4,080,243	\$ -	\$ 4,080,243	\$ 4,042,521
Golf course improvements	\$ -	\$ 8,816,773	\$ 8,816,773	\$ 8,772,573
Infrastructure	\$ 3,863,243	\$ -	\$ 3,863,243	\$ 3,863,243
Water improvements	\$ -	\$ 19,041,102	\$ 19,041,102	\$ 18,535,781
Sewer improvements	\$ -	\$ 6,454,837	\$ 6,454,837	\$ 9,555,373
Storm drain improvements	\$ -	\$ 3,115,094	\$ 3,115,094	\$ -
Vehicles	\$ 244,681	\$ 244,681	\$ 489,363	\$ 477,153
Accumulated depreciation	\$ (1,411,497)	\$ (6,975,430)	\$ (8,386,927)	\$ (7,291,302)
Water stock	\$ -	\$ 3,290,379	\$ 3,290,379	\$ 3,145,179
Bond costs, net	\$ 76,402	\$ 248,280	\$ 324,681	\$ 339,861
<b>Total assets</b>	<b>\$ 21,959,610</b>	<b>\$ 41,064,410</b>	<b>\$ 63,024,021</b>	<b>\$ 63,618,777</b>

See accompanying notes to financial statements.

**CITY OF CEDAR HILLS**  
Government-wide Statement of Net Assets  
June 30, 2010  
With Comparative Totals for June 30, 2009

LIABILITIES	Primary Government			2009 Restated
	Governmental Activities	Business-Type Activities	Total	
Outstanding checks in excess of deposits	\$ -	\$ 1,674,450	\$ 1,674,450	\$ 1,580,028
Accounts payable and accrued expenses	\$ 117,812	\$ 238,478	\$ 356,291	\$ 626,027
Accrued salaries, wages, and benefits	\$ 69,797	\$ 61,582	\$ 131,378	\$ 96,273
Accrued interest payable	\$ 51,501	\$ 243,773	\$ 295,273	\$ 296,005
Other payables	\$ 175,367	\$ -	\$ 175,367	\$ 18,589
Deposits	\$ -	\$ -	\$ -	\$ 55,000
Unearned revenue	\$ -	\$ 3,998	\$ 3,998	\$ 77,780
Deferred property tax revenue	\$ 628,340	\$ -	\$ 628,340	\$ 626,080
Development agreements payable	\$ -	\$ 336,133	\$ 336,133	\$ 338,300
Noncurrent liabilities				
Due within one year	\$ 100,000	\$ 521,803	\$ 621,803	\$ 628,171
Due in more than one year	\$ 2,500,000	\$ 13,917,554	\$ 16,417,554	\$ 16,855,801
<b>Total liabilities</b>	<b>\$ 3,642,816</b>	<b>\$ 16,997,771</b>	<b>\$ 20,640,587</b>	<b>\$ 21,198,053</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 10,475,412	\$ 23,270,251	\$ 33,745,663	\$ 33,627,974
Reserved for				
Capital projects	\$ 4,208,292	\$ 944,893	\$ 5,153,186	\$ 5,569,822
Class C Roads	\$ 343,053	\$ -	\$ 343,053	\$ 349,505
Debt Service	\$ 354,806	\$ 254,194	\$ 609,000	\$ 568,097
Unreserved	\$ 2,935,231	\$ (402,699)	\$ 2,532,532	\$ 2,305,325
<b>Total net assets</b>	<b>\$ 18,316,794</b>	<b>\$ 24,066,640</b>	<b>\$ 42,383,434</b>	<b>\$ 42,420,724</b>

See accompanying notes to financial statements.

**CITY OF CEDAR HILLS**  
 Government-wide Statement of Activities  
 For the Year Ended June 30, 2010  
 With Comparative Totals for the Year Ended June 30, 2009

PROGRAM ACTIVITIES	Expenses	Program Revenues		
		Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
<b>Governmental activities</b>				
General government	\$ 2,073,764	\$ 546,041	\$ 241,114	\$ 76,387
Public safety	\$ 575,232	\$ -	\$ 5,568	\$ 10,092
Parks and recreation	\$ 409,000	\$ 45,439	\$ -	\$ 78,047
Interest on long-term debt	\$ 107,013	\$ -	\$ -	\$ -
<b>Total governmental activities</b>	<b>\$ 3,165,009</b>	<b>\$ 591,480</b>	<b>\$ 246,682</b>	<b>\$ 164,526</b>
<b>Business-type activities</b>				
Sewer and water	\$ 2,511,875	\$ 2,383,938	\$ -	\$ 62,986
Golf course	\$ 1,238,869	\$ 679,970	\$ -	\$ -
<b>Total business-type activities</b>	<b>\$ 3,750,744</b>	<b>\$ 3,063,908</b>	<b>\$ -</b>	<b>\$ 62,986</b>
<b>Total government</b>	<b>\$ 6,915,753</b>	<b>\$ 3,655,388</b>	<b>\$ 246,682</b>	<b>\$ 227,512</b>

See accompanying notes to financial statements.

**CITY OF CEDAR HILLS**  
Government-wide Statement of Activities (Continued)  
For the Year Ended June 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009

PROGRAM ACTIVITIES	Net (Expenses) Revenues and Changes in Net Assets			2009 Restated
	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities</b>				
General government	\$ (1,210,222)	\$ -	\$ (1,210,222)	\$ (1,341,518)
Public safety	\$ (559,571)	\$ -	\$ (559,571)	\$ (548,229)
Parks and recreation	\$ (285,514)	\$ -	\$ (285,514)	\$ (377,369)
Interest on long-term debt	\$ (107,013)	\$ -	\$ (107,013)	\$ (111,631)
<b>Total governmental activities</b>	<u>\$ (2,162,320)</u>	<u>\$ -</u>	<u>\$ (2,162,320)</u>	<u>\$ (2,378,746)</u>
<b>Business-type activities</b>				
Sewer and water	\$ -	\$ (64,950)	\$ (64,950)	\$ (15,030)
Golf course	\$ -	\$ (558,899)	\$ (558,899)	\$ (470,373)
<b>Total business-type activities</b>	<u>\$ -</u>	<u>\$ (623,850)</u>	<u>\$ (623,850)</u>	<u>\$ (485,403)</u>
<b>Total government</b>	<u>\$ (2,162,320)</u>	<u>\$ (623,850)</u>	<u>\$ (2,786,170)</u>	<u>\$ (2,864,150)</u>
<b>General revenues</b>				
Taxes				
Ad valorem	\$ 872,432	\$ 385,260	\$ 1,257,692	\$ 1,326,574
Sales	\$ 933,049	\$ -	\$ 933,049	\$ 833,162
Franchise	\$ 446,750	\$ -	\$ 446,750	\$ 430,530
Interest income	\$ 42,212	\$ 10,764	\$ 52,976	\$ 193,167
Gain (loss) on sale of capital assets	\$ 11,677	\$ 21,463	\$ 33,140	\$ 1,390
Miscellaneous	\$ 25,271	\$ -	\$ 25,271	\$ 958,648
<b>Total general revenues and transfers</b>	<u>\$ 2,331,392</u>	<u>\$ 417,487</u>	<u>\$ 2,748,879</u>	<u>\$ 3,743,472</u>
Change in net assets	\$ 169,072	\$ (206,362)	\$ (37,290)	\$ 879,322
Net assets at beginning of year	<u>\$ 18,147,722</u>	<u>\$ 24,273,002</u>	<u>\$ 42,420,724</u>	<u>\$ 41,541,402</u>
Net assets at end of year	<u>\$ 18,316,794</u>	<u>\$ 24,066,640</u>	<u>\$ 42,383,434</u>	<u>\$ 42,420,724</u>

See accompanying notes to financial statements.

## GOVERNMENTAL FUNDS

### Balance Sheet

June 30, 2010

With Comparative Totals for June 30, 2009

ASSETS	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>2009 Restated</u>
Cash and cash equivalents	\$ 380,055	\$ 2,550,784	\$ 2,930,839	\$ 2,699,024
Receivables				
Intergovernmental	\$ 241,738	\$ -	\$ 241,738	\$ 225,992
Garbage billings (net)	\$ 40,706	\$ -	\$ 40,706	\$ 37,884
Property taxes	\$ 654,279	\$ -	\$ 654,279	\$ 666,048
Other (net)	\$ 36,178	\$ -	\$ 36,178	\$ 56,673
Prepaid expense	\$ 27,880	\$ -	\$ 27,880	\$ -
Restricted cash and cash equivalents	<u>\$ 381,509</u>	<u>\$ 4,524,643</u>	<u>\$ 4,906,151</u>	<u>\$ 4,867,353</u>
Total assets	<u>\$ 1,762,344</u>	<u>\$ 7,075,427</u>	<u>\$ 8,837,771</u>	<u>\$ 8,552,973</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 63,845	\$ 52,927	\$ 116,272	\$ 278,370
Accrued salaries, wages, and benefits	\$ 24,357	\$ -	\$ 24,357	\$ 16,129
Deferred property tax revenue	\$ 628,340	\$ -	\$ 628,340	\$ 626,080
Other payables	<u>\$ 175,367</u>	<u>\$ -</u>	<u>\$ 175,367</u>	<u>\$ 18,589</u>
Total liabilities	<u>\$ 891,409</u>	<u>\$ 52,927</u>	<u>\$ 944,335</u>	<u>\$ 939,168</u>
<b>Fund Balance</b>				
Reserved for				
Capital projects	\$ 38,456	\$ 4,169,836	\$ 4,208,292	\$ 4,105,250
Debt service	\$ -	\$ 354,806	\$ 354,806	\$ 412,598
Class C Roads	\$ 343,053	\$ -	\$ 343,053	\$ 349,505
Unreserved	<u>\$ 489,427</u>	<u>\$ 2,497,858</u>	<u>\$ 2,987,284</u>	<u>\$ 2,746,452</u>
Total fund balance	<u>\$ 870,936</u>	<u>\$ 7,022,500</u>	<u>\$ 7,893,436</u>	<u>\$ 7,613,806</u>
Total liabilities and fund balance	<u>\$ 1,762,344</u>	<u>\$ 7,075,427</u>	<u>\$ 8,837,771</u>	<u>\$ 8,552,973</u>

See accompanying notes to financial statements.

## GOVERNMENTAL FUNDS

### Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets

June 30, 2010

Total fund balance—total governmental funds	\$ 7,893,436
 Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different due to the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	\$ 12,859,421
Bond issuance costs are not available to pay for current period expenditures.	\$ 76,402
Interest payable, but not yet due, on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	\$ (51,501)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	\$ (100,000)
Due in more than one year	\$ (2,500,000)
Compensated absences are not payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	\$ (45,440)
Assets, liabilities, and net assets reported in the internal service fund are not included in the governmental funds balance sheet.	<u>\$ 184,477</u>
Net assets of governmental activities	<u><u>\$ 18,316,794</u></u>

See accompanying notes to financial statements.

## GOVERNMENTAL FUNDS

### Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

REVENUES	General	Capital Projects	Total	2009 Restated
Taxes	\$ 2,252,232	\$ -	\$ 2,252,232	\$ 2,205,691
Licenses and permits	\$ 83,834	\$ -	\$ 83,834	\$ 71,116
Impact fees	\$ -	\$ 153,981	\$ 153,981	\$ 50,108
Intergovernmental	\$ 246,682	\$ -	\$ 246,682	\$ 229,690
Charges for services	\$ 462,207	\$ -	\$ 462,207	\$ 469,917
Other fees and services	\$ 45,439	\$ -	\$ 45,439	\$ 82,324
Miscellaneous	\$ 25,271	\$ 10,545	\$ 35,816	\$ 88,817
Interest income	\$ 7,887	\$ 34,325	\$ 42,212	\$ 136,714
<b>Total revenues</b>	<b>\$ 3,123,552</b>	<b>\$ 198,852</b>	<b>\$ 3,322,404</b>	<b>\$ 3,334,377</b>
<b>EXPENDITURES</b>				
General government	\$ 1,535,270	\$ 4,020	\$ 1,539,290	\$ 1,626,477
Highways and streets	\$ 281,177	\$ 48,870	\$ 330,047	\$ 372,163
Public safety	\$ 575,232	\$ -	\$ 575,232	\$ 558,750
Parks and recreation	\$ 262,750	\$ 71,722	\$ 334,472	\$ 344,297
Debt service				
Principal	\$ -	\$ 95,000	\$ 95,000	\$ 95,000
Interest	\$ -	\$ 108,612	\$ 108,612	\$ 113,823
<b>Total expenditures</b>	<b>\$ 2,654,428</b>	<b>\$ 328,224</b>	<b>\$ 2,982,652</b>	<b>\$ 3,110,510</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 469,124</b>	<b>\$ (129,372)</b>	<b>\$ 339,751</b>	<b>\$ 223,867</b>
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 1,026,067	\$ 1,026,067	\$ 152,963
Transfers out	\$ (1,086,189)	\$ -	\$ (1,086,189)	\$ (161,248)
<b>Total other financing sources (uses)</b>	<b>\$ (1,086,189)</b>	<b>\$ 1,026,067</b>	<b>\$ (60,121)</b>	<b>\$ (8,286)</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (617,065)</b>	<b>\$ 896,695</b>	<b>\$ 279,630</b>	<b>\$ 215,581</b>
Fund balance at beginning of year	\$ 1,488,000	\$ 6,125,805	\$ 7,613,806	\$ 7,398,224
Fund balance at end of year	\$ 870,936	\$ 7,022,500	\$ 7,893,436	\$ 7,613,806

See accompanying notes to financial statements.

## GOVERNMENTAL FUNDS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2010

Net change in fund balances—total governmental funds	\$	279,630
 Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
 Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		
	\$	60,222
 Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		
	\$	(278,568)
 Governmental funds report the effect of bond issuance costs when debt is first issued; whereas, these amounts are deferred and amortized in the Government-wide Statement of Activities and Changes in Net Assets.		
	\$	(3,653)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
	\$	95,000
 Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		
	\$	1,599
 The change in compensated absences does not require the use of current resources and, therefore, is not reported as expenditures in governmental funds.		
	\$	14,841
 Internal service funds are used by management to charge the cost of vehicle fleet activities. The net activity of certain internal service funds is reported with governmental activities.		
	<u>\$</u>	<u>-</u>
Change in net assets of governmental activities	<u>\$</u>	<u>169,072</u>

See accompanying notes to financial statements.

**PROPRIETARY FUNDS**

Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

ASSETS	Business-Type Activities—Enterprise Funds				2009 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
<b>Current assets</b>					
Cash and cash equivalents	\$ 956,470	\$ -	\$ 956,470	\$ 71,816	\$ 1,153,707
Property tax receivable	\$ -	\$ 385,260	\$ 385,260	\$ -	\$ 385,320
Accounts receivable, net of allowance	\$ 265,816	\$ 89,624	\$ 355,440	\$ 19,050	\$ 304,018
Prepaid expense	\$ 11,231	\$ 13,223	\$ 24,454	\$ 2,488	\$ 18,773
Inventory	\$ -	\$ 51,531	\$ 51,531	\$ -	\$ 39,824
<b>Total current assets</b>	<b>\$ 1,233,517</b>	<b>\$ 539,638</b>	<b>\$ 1,773,155</b>	<b>\$ 92,854</b>	<b>\$ 1,901,642</b>
<b>Noncurrent assets</b>					
Capital assets					
Land	\$ -	\$ 3,810,023	\$ 3,810,023	\$ -	\$ 3,810,023
Golf course improvements	\$ -	\$ 8,816,773	\$ 8,816,773	\$ -	\$ 8,772,573
Water improvements	\$ 19,041,102	\$ -	\$ 19,041,102	\$ -	\$ 18,535,781
Sewer improvements	\$ 6,454,837	\$ -	\$ 6,454,837	\$ -	\$ 9,555,373
Storm drain improvements	\$ 3,115,094	\$ -	\$ 3,115,094	\$ -	\$ -
Vehicles	\$ -	\$ -	\$ -	\$ 489,363	\$ -
Less: accumulated depreciation	\$ (5,275,193)	\$ (1,595,145)	\$ (6,870,338)	\$ (210,183)	\$ (6,069,188)
Water stock	\$ 3,290,379	\$ -	\$ 3,290,379	\$ -	\$ 3,145,179
Restricted cash and cash equivalents	\$ 1,199,087	\$ -	\$ 1,199,087	\$ -	\$ 1,620,071
Bond costs, net	\$ 148,574	\$ 99,705	\$ 248,280	\$ -	\$ 259,807
<b>Total noncurrent assets</b>	<b>\$ 27,973,882</b>	<b>\$ 11,131,357</b>	<b>\$ 39,105,239</b>	<b>\$ 279,180</b>	<b>\$ 39,629,620</b>
<b>Total assets</b>	<b>\$ 29,207,399</b>	<b>\$ 11,670,995</b>	<b>\$ 40,878,394</b>	<b>\$ 372,034</b>	<b>\$ 41,531,262</b>

See accompanying notes to financial statements.

**PROPRIETARY FUNDS**

Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

LIABILITIES	Business-Type Activities—Enterprise Funds				2009 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
<b>Current liabilities</b>					
Outstanding checks in excess of deposits	\$ -	\$ 1,674,450	\$ 1,674,450	\$ -	\$ 1,580,028
Accounts payable and accrued expenses	\$ 200,323	\$ 36,615	\$ 236,938	\$ 3,081	\$ 339,890
Accrued wages payable	\$ 37,618	\$ 23,964	\$ 61,582	\$ -	\$ 19,863
Accrued interest payable	\$ 140,104	\$ 103,669	\$ 243,773	\$ -	\$ 242,905
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 55,000
Unearned revenue	\$ 3,998	\$ -	\$ 3,998	\$ -	\$ 77,780
Development agreements payable	\$ 336,133	\$ -	\$ 336,133	\$ -	\$ 338,300
Long-term debt current portion	\$ 265,000	\$ 256,803	\$ 521,803	\$ -	\$ 533,171
<b>Total current liabilities</b>	<u>\$ 983,176</u>	<u>\$ 2,095,500</u>	<u>\$ 3,078,676</u>	<u>\$ 3,081</u>	<u>\$ 3,186,936</u>
<b>Long-term liabilities</b>					
Bonds payable	\$ 8,238,000	\$ 5,795,000	\$ 14,033,000	\$ -	\$ 14,475,000
Notes payable	\$ -	\$ 406,357	\$ 406,357	\$ -	\$ 313,972
Less: current portion	\$ (265,000)	\$ (256,803)	\$ (521,803)	\$ -	\$ (533,171)
<b>Total long-term liabilities</b>	<u>\$ 7,973,000</u>	<u>\$ 5,944,554</u>	<u>\$ 13,917,554</u>	<u>\$ -</u>	<u>\$ 14,255,801</u>
<b>Total liabilities</b>	<u>\$ 8,956,176</u>	<u>\$ 8,040,055</u>	<u>\$ 16,996,231</u>	<u>\$ 3,081</u>	<u>\$ 17,442,737</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of debt	\$ 18,200,661	\$ 4,929,999	\$ 23,130,661	\$ 279,180	\$ 22,882,277
Reserved					
Capital assets	\$ 944,893	\$ -	\$ 944,893	\$ -	\$ 1,464,573
Debt service	\$ 254,194	\$ -	\$ 254,194	\$ -	\$ 155,499
Unreserved	\$ 851,474	\$ (1,299,059)	\$ (447,585)	\$ 89,773	\$ (413,823)
<b>Total net assets</b>	<u>\$ 20,251,223</u>	<u>\$ 3,630,940</u>	<u>\$ 23,882,163</u>	<u>\$ 368,953</u>	<u>\$ 24,088,525</u>
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with the business-type activities			\$ 184,477		\$ 184,477
Net assets of business-type activities			<u>\$ 24,066,640</u>		<u>\$ 24,273,002</u>

See accompanying notes to financial statements.

## PROPRIETARY FUNDS

### Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	Business-Type Activities—Enterprise Funds				2009 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
<b>Operating revenues</b>					
Charges for services	\$ 2,383,938	\$ 679,970	\$ 3,063,908	\$ -	\$ 2,800,918
<b>Total operating revenues</b>	<b>\$ 2,383,938</b>	<b>\$ 679,970</b>	<b>\$ 3,063,908</b>	<b>\$ -</b>	<b>\$ 2,800,918</b>
<b>Operating expenses</b>					
Salaries, wages, and employee benefits	\$ 522,976	\$ 393,314	\$ 916,291	\$ -	\$ 833,499
Supplies and materials	\$ 406,222	\$ 199,003	\$ 605,225	\$ -	\$ 544,825
Professional and technical	\$ 7,418	\$ -	\$ 7,418	\$ -	\$ 7,046
Vehicle maintenance	\$ -	\$ -	\$ -	\$ 55,927	\$ -
Depreciation and amortization	\$ 580,979	\$ 294,740	\$ 875,719	\$ 88,324	\$ 810,547
Other	\$ 570,567	\$ 88,545	\$ 659,112	\$ -	\$ 549,852
<b>Total operating expenses</b>	<b>\$ 2,088,162</b>	<b>\$ 975,602</b>	<b>\$ 3,063,764</b>	<b>\$ 144,251</b>	<b>\$ 2,745,769</b>
<b>Operating income (loss)</b>	<b>\$ 295,777</b>	<b>\$ (295,633)</b>	<b>\$ 144</b>	<b>\$ (144,251)</b>	<b>\$ 55,149</b>
<b>Non-operating income (expense)</b>					
Construction bond forfeiture	\$ -	\$ -	\$ -	\$ -	\$ 869,862
Interest income	\$ 10,764	\$ -	\$ 10,764	\$ -	\$ 56,453
Interest expense	\$ (351,395)	\$ (263,133)	\$ (614,528)	\$ -	\$ (635,640)
Property taxes	\$ -	\$ 385,260	\$ 385,260	\$ -	\$ 384,575
Gain (loss) on sale of capital assets	\$ -	\$ 9,787	\$ 9,787	\$ 23,354	\$ (5,371)
<b>Total non-operating income (expense)</b>	<b>\$ (340,631)</b>	<b>\$ 131,914</b>	<b>\$ (208,717)</b>	<b>\$ 23,354</b>	<b>\$ 669,879</b>
<b>Income (loss) before capital contributions and operating transfers</b>	<b>\$ (44,854)</b>	<b>\$ (163,719)</b>	<b>\$ (208,573)</b>	<b>\$ (120,897)</b>	<b>\$ 725,028</b>
<b>Capital contributions</b>	\$ 62,986	\$ -	\$ 62,986	\$ -	\$ 161,300
<b>Operating transfers</b>					
Transfers in	\$ -	\$ -	\$ -	\$ 120,897	\$ -
Transfers out	\$ (60,642)	\$ (134)	\$ (60,775)	\$ -	\$ (117,191)
<b>Net operating transfers</b>	<b>\$ (60,642)</b>	<b>\$ (134)</b>	<b>\$ (60,775)</b>	<b>\$ 120,897</b>	<b>\$ (117,191)</b>
<b>Net income (loss)</b>	<b>\$ (42,510)</b>	<b>\$ (163,853)</b>	<b>\$ (206,362)</b>	<b>\$ -</b>	<b>\$ 769,137</b>
<b>Net assets at beginning of year</b>	<b>\$ 20,293,732</b>	<b>\$ 3,794,793</b>		<b>\$ 368,953</b>	
<b>Net assets at end of year</b>	<b>\$ 20,251,223</b>	<b>\$ 3,630,940</b>		<b>\$ 368,953</b>	
Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.			\$ -		\$ (109)
Changes in net assets of business-type activities			<b>\$ (206,362)</b>		<b>\$ 769,029</b>

See accompanying notes to financial statements.

## PROPRIETARY FUNDS

### Statement of Cash Flows

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	Business-Type Activities—Enterprise Funds				2009 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
<b>Cash flows from operating activities</b>					
Cash received from					
Customers	\$ 2,262,243	\$ 679,970	\$ 2,942,213	\$ -	\$ 2,756,088
Cash paid for					
Employees	\$ (494,327)	\$ (380,245)	\$ (874,572)	\$ -	\$ (813,636)
Timpanogos Special Service District	\$ (413,895)	\$ -	\$ (413,895)	\$ -	\$ (293,790)
Suppliers	\$ (670,125)	\$ (368,749)	\$ (1,038,874)	\$ (82,151)	\$ (595,965)
Net cash from operating activities	<u>\$ 683,896</u>	<u>\$ (69,025)</u>	<u>\$ 614,871</u>	<u>\$ (82,151)</u>	<u>\$ 1,052,697</u>
<b>Cash flows from noncapital financing activities</b>					
Cash paid from other funds	\$ -	\$ -	\$ -	\$ 120,897	\$ -
Cash paid to other funds	\$ (60,642)	\$ (134)	\$ (60,775)	\$ -	\$ (667,191)
Other	\$ -	\$ 385,320	\$ 385,320	\$ -	\$ 385,195
Net cash from noncapital financing activities	<u>\$ (60,642)</u>	<u>\$ 385,186</u>	<u>\$ 324,545</u>	<u>\$ 120,897</u>	<u>\$ (281,996)</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	\$ (665,079)	\$ -	\$ (665,079)	\$ (140,403)	\$ (2,305,035)
Developer contributions	\$ 22,800	\$ -	\$ 22,800	\$ -	\$ 144,000
Impact fees	\$ 40,186	\$ -	\$ 40,186	\$ -	\$ 17,300
Proceeds from sales of capital assets	\$ -	\$ 86,101	\$ 86,101	\$ 79,130	\$ 9,000
Proceeds from the issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ 1,102,432
Principal payments on debt	\$ (307,000)	\$ (226,171)	\$ (533,171)	\$ -	\$ (518,277)
Interest paid on debt	\$ (343,147)	\$ (270,513)	\$ (613,660)	\$ -	\$ (587,404)
Net cash from capital financing activities	<u>\$ (1,252,240)</u>	<u>\$ (410,583)</u>	<u>\$ (1,662,823)</u>	<u>\$ (61,273)</u>	<u>\$ (2,137,984)</u>
<b>Cash flows from investing activities</b>					
Interest income	\$ 10,764	\$ -	\$ 10,764	\$ -	\$ 56,453
Net cash from investing activities	<u>\$ 10,764</u>	<u>\$ -</u>	<u>\$ 10,764</u>	<u>\$ -</u>	<u>\$ 56,453</u>
Net increase (decrease) in cash	\$ (618,221)	\$ (94,422)	\$ (712,643)	\$ (22,528)	\$ (1,310,830)
Cash at beginning of year	\$ 2,773,779	\$ (1,580,028)	\$ 1,193,751	\$ 93,844	\$ 2,504,581
Cash at end of year	<u>\$ 2,155,557</u>	<u>\$ (1,674,450)</u>	<u>\$ 481,108</u>	<u>\$ 71,316</u>	<u>\$ 1,193,751</u>
Cash and cash equivalents	\$ 956,470	\$ -	\$ 956,470	\$ 71,316	\$ 1,153,707
Restricted cash and cash equivalents	\$ 1,199,087	\$ -	\$ 1,199,087	\$ -	\$ 1,620,071
Checks in excess of deposits	\$ -	\$ (1,674,450)	\$ (1,674,450)	\$ -	\$ (1,580,028)
Total	<u>\$ 2,155,557</u>	<u>\$ (1,674,450)</u>	<u>\$ 481,108</u>	<u>\$ 71,316</u>	<u>\$ 1,193,751</u>

See accompanying notes to financial statements.

**PROPRIETARY FUNDS**

Statement of Cash Flows

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	Business-Type Activities—Enterprise Funds			Motor Pool Fund	2009 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total		
<b>Reconciliation to operating income</b>					
Operating income (loss)	\$ 295,777	\$ (295,633)	\$ 144	\$ (144,251)	\$ 55,149
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization	\$ 580,979	\$ 294,740	\$ 875,719	\$ 88,324	\$ 810,547
Changes in assets and liabilities					
Accounts receivable	\$ 34,679	\$ (86,101)	\$ (51,422)	\$ (19,050)	\$ (36,863)
Prepaid expense	\$ (11,231)	\$ 5,550	\$ (5,681)	\$ (2,488)	\$ (18,773)
Inventory	\$ -	\$ (11,707)	\$ (11,707)	\$ -	\$ 2,685
Accounts payable	\$ (114,008)	\$ 11,056	\$ (102,952)	\$ (4,687)	\$ 227,178
Wages payable	\$ 28,650	\$ 13,069	\$ 41,719	\$ -	\$ 19,863
Refundable deposits	\$ (55,000)	\$ -	\$ (55,000)	\$ -	\$ (59,000)
Unearned revenue	\$ (73,782)	\$ -	\$ (73,782)	\$ -	\$ 77,780
Developer payables	\$ (2,167)	\$ -	\$ (2,167)	\$ -	\$ (25,869)
<b>Net cash from operating activities</b>	<b>\$ 683,896</b>	<b>\$ (69,025)</b>	<b>\$ 614,871</b>	<b>\$ (82,151)</b>	<b>\$ 1,052,697</b>

*Supplemental information*

The City received no capital asset contributions during the year ended June 30, 2010.

The Golf Course Fund purchased \$183,557 of equipment through a capital lease.

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

**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.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

**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.

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:

# CITY OF CEDAR HILLS

## Notes to Financial Statements

June 30, 2010

### **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.

### **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.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

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.

**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 2010. Unused appropriations for all of the annually budgeted funds lapse at the end of the year.

**Cash and Cash Equivalents**

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, 2010, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at June 30, 2010 is not considered significant.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements

June 30, 2010

In accordance with government accounting standards, a receivable and deferred revenue have been recorded for property taxes assessed at January 1, 2010 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, 2010 and revenues and expenses during the year then ended. The actual results could differ from those estimates.

In the past the City has used the alternative method for reporting costs associated with certain infrastructure assets (the "modified approach"). During fiscal year 2009-2010, the City chose to no longer perform the required condition assessments and therefore no longer qualifies for the modified approach. Starting with 2010, infrastructure will be depreciated with the rest of the City's capital assets.

**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 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.

**Net Assets**

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

**CITY OF CEDAR HILLS**  
Notes to Financial Statements

June 30, 2010

those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first utilizes restricted resources to finance qualifying activities.

**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.

**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, 2010, \$357,393 of the City's bank balances were insured and \$371,286 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

**CITY OF CEDAR HILLS**  
Notes to Financial Statements

June 30, 2010

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	\$ 6,943,557	65 days	Not rated
Externally Managed Investments			
First American Treasury Obligations	\$ 293,934	28 days	AAAm-g
Zions Bank Government Money Market	\$ 72,212	65 days	Not rated
US Bank Government Money Market	\$ 559,407	64 days	Not rated
Total	<u>\$ 7,869,110</u>		

**Interest Rate Risk**

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

The City's cash and cash equivalents include \$6,105,239 of restricted cash. The City has \$65,297 restricted for well improvements, \$343,053 restricted for class C roads, \$38,456 restricted for care tax programs, \$4,801,384 restricted for impact fees, \$248,049 restricted for capital projects, and \$609,000 restricted for debt service.

**NOTE 3 – WATER SHARES**

At June 30, 2010, the City had water shares recorded at \$3,290,379. 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 \$374,490 for all proprietary funds includes an allowance for doubtful accounts of \$40,000. The City established an allowance for accounts that may not be collectible due to changes in the economic environment. Net accounts receivable of \$76,884 for the governmental funds includes an allowance for doubtful accounts of \$23,070.

**NOTE 5 – INTERGOVERNMENTAL RECEIVABLES**

The City has \$241,738 of intergovernmental receivables at June 30, 2010 in the General Fund resulting from \$168,022 due in sales tax revenue, \$52,464 due in Class C Road Funds, and \$21,251 in telecommunication taxes.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

**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.

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

GOVERNMENTAL ACTIVITIES	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 3,394,150	\$ 22,500	\$ -	\$ 3,416,650
Total	\$ 3,394,150	\$ 22,500	\$ -	\$ 3,416,650
<b>Other capital assets</b>				
Buildings and improvements	\$ 2,771,133	\$ -	\$ -	\$ 2,771,133
Roads and sidewalks	\$ 3,863,243	\$ -	\$ -	\$ 3,863,243
Parks	\$ 4,042,521	\$ 37,722	\$ -	\$ 4,080,243
Vehicles	\$ 238,576	\$ 70,202	\$ (64,097)	\$ 244,681
Equipment	\$ 34,558	\$ -	\$ -	\$ 34,558
Less: Accumulated depreciation				
Buildings and improvements	\$ (261,475)	\$ (62,814)	\$ -	\$ (324,289)
Roads and sidewalks	\$ (131,277)	\$ (77,265)	\$ -	\$ (208,542)
Parks	\$ (619,531)	\$ (134,751)	\$ -	\$ (754,282)
Vehicles	\$ (97,139)	\$ (44,162)	\$ 36,209	\$ (105,092)
Equipment	\$ (15,555)	\$ (3,738)	\$ -	\$ (19,293)
Total	\$ 9,825,055	\$ (214,806)	\$ (27,888)	\$ 9,582,360
Governmental activities capital assets, net	\$ 13,219,204	\$ (192,306)	\$ (27,888)	\$ 12,999,010

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

BUSINESS-TYPE ACTIVITIES	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 3,810,023	\$ -	\$ -	\$ 3,810,023
<b>Total</b>	\$ 3,810,023	\$ -	\$ -	\$ 3,810,023
<b>Other capital assets</b>				
Golf course improvements	\$ 8,772,573	\$ 183,557	\$ (139,356)	\$ 8,816,773
Water improvements	\$ 18,535,781	\$ 505,321	\$ -	\$ 19,041,102
Sewer improvements	\$ 6,440,277	\$ 14,558	\$ -	\$ 6,454,835
Storm drain improvements	\$ 3,115,094	\$ -	\$ -	\$ 3,115,094
Vehicles	\$ 238,576	\$ 70,202	\$ (64,097)	\$ 244,681
<b>Less: Accumulated depreciation</b>				
Golf course improvements	\$ (1,367,545)	\$ (290,643)	\$ 63,042	\$ (1,595,146)
Water improvements	\$ (2,795,609)	\$ (384,509)	\$ -	\$ (3,180,118)
Sewer improvements	\$ (1,896,227)	\$ (128,806)	\$ -	\$ (1,525,033)
Storm drain improvements	\$ (509,806)	\$ (60,235)	\$ -	\$ (570,042)
Vehicles	\$ (97,139)	\$ (44,162)	\$ 36,209	\$ (105,092)
<b>Total</b>	\$ 30,935,975	\$ (134,717)	\$ (104,202)	\$ 30,697,056
<b>Business-type capital assets, net</b>	\$ 34,745,999	\$ (134,717)	\$ (104,202)	\$ 34,507,080
<b>Governmental activities depreciation expense</b>				
General government				\$ 187,979
Parks and recreation				\$ 134,751
<b>Total governmental activities depreciation expense</b>				\$ 322,730
<b>Business-type activities depreciation expense</b>				
Sewer and water				\$ 573,550
Vehicle service				\$ 44,162
Golf course				\$ 290,643
<b>Total business-type activities depreciation expense</b>				\$ 908,354

**NOTE 8 – LONG-TERM DEBT**

The legal general obligation debt limit for the City is \$32,564,994. The City had \$5,795,000 in general obligation debt at June 30, 2010.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements

June 30, 2010

	<u>Governmental</u>	<u>Business-Type</u>
<b>General Obligation Bonds</b>		
\$6,250,000 General Obligation Refunding Bond due in annual installments on February 1 of \$65,000 to \$365,000. Interest at 3.75% to 4.50% is due in semi-annual payments on February 1 and August 1, secured by the revenues of the golf course.	\$ -	\$ 5,795,000
<b>Total general obligation bonds</b>	\$ -	\$ 5,795,000
 <b>Revenue Bonds</b>		
\$790,000 Lease Revenue Bonds due in annual installments on February 15 of \$30,000 to \$60,000. Interest at 3.042% is due in semi-annual payments on February 15 and August 15, secured by the building.	\$ 440,000	
\$2,090,000 Utility Revenue Bonds due in annual installments on March 1 of \$80,000 to \$133,000. Interest at 2.71% due in annual installments on March 1, secured by utility revenues.		\$ 1,928,000
\$6,215,000 Utility Revenue Bonds due in annual installments on March 1 of \$210,000 to \$385,000. Interest at 3.50% to 4.625% due in semi-annual payments on March 1 and September 1, secured by the pressurized irrigation system.		\$ 5,405,000
\$2,325,000 Excise Tax Revenue Bonds due in annual installments on July 1 of \$50,000 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.	\$ 2,160,000	
\$930,000 Utility Revenue Bonds due in annual installments on March 1 of \$25,000 to \$75,000. Interest at 5.99% due in semi-annual payments on March 1 and September 1.		\$ 905,000
<b>Total revenue bonds</b>	\$ 2,600,000	\$ 8,238,000
 <b>Capital Leases</b>		
\$278,712 Citicapital capital lease, due in six monthly installments per year of \$8,650 including interest at 5.52%, beginning July 1, 2007, secured by the golf carts.		\$ 162,102

**CITY OF CEDAR HILLS**  
Notes to Financial Statements

June 30, 2010

	<u>Governmental</u>	<u>Business-Type</u>
\$60,791 Wells Fargo capital lease, due in 36 monthly installments of \$1,821 including interest at 5.245%, beginning November 20, 2008, secured by the equipment.		\$ 28,077
\$36,200 John Deere capital lease, due in monthly installments of \$1,123 including interest at 7.75%, beginning February 1, 2009, secured by the equipment.		\$ 20,019
\$33,750 Wells Fargo capital lease, due in 36 monthly installments of \$1,020 including interest at 5.904%, beginning March 20, 2009, secured by the equipment.		\$ 19,388
\$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.		\$ 33,201
\$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.		\$ 143,572
Total capital leases	\$ -	\$ 406,357
Total debt	\$ 2,600,000	\$ 14,439,357

Transactions for the year ended June 30, 2010 are summarized as follows:

	<u>Balance July 1, 2009</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2010</u>	<u>Due within One Year</u>
Governmental activities					
Revenue bonds	\$ 2,695,000	\$ -	\$ 95,000	\$ 2,600,000	\$ 100,000
Total governmental activities	\$ 2,695,000	\$ -	\$ 95,000	\$ 2,600,000	\$ 100,000
Business-type activities					
Revenue bonds	\$ 8,545,000	\$ -	\$ 307,000	\$ 8,238,000	\$ 265,000
General obligation bonds	\$ 5,930,000	\$ -	\$ 135,000	\$ 5,795,000	\$ 140,000
Capital leases	\$ 313,972	\$ 183,557	\$ 91,171	\$ 406,357	\$ 116,803
Total business-type activities	\$ 14,788,972	\$ 183,557	\$ 533,171	\$ 14,439,357	\$ 521,803
Total government	\$ 17,483,972	\$ 183,557	\$ 628,171	\$ 17,039,357	\$ 621,803

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

Revenue Bonds future debt service requirements:

Year Ending June 30,	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	Principal	Interest	Principal	Interest
2011	\$ 100,000	\$ 105,147	\$ 265,000	\$ 341,383
2012	\$ 105,000	\$ 101,431	\$ 292,000	\$ 331,883
2013	\$ 110,000	\$ 97,614	\$ 299,000	\$ 321,166
2014	\$ 115,000	\$ 93,545	\$ 307,000	\$ 310,207
2015	\$ 125,000	\$ 89,276	\$ 324,000	\$ 298,517
2016-2020	\$ 630,000	\$ 374,469	\$ 1,810,000	\$ 1,295,114
2021-2025	\$ 500,000	\$ 261,047	\$ 2,212,000	\$ 893,574
2026-2030	\$ 625,000	\$ 137,516	\$ 2,344,000	\$ 389,666
2031-2032	\$ 290,000	\$ 13,275	\$ 385,000	\$ 17,806
<b>Total</b>	<b>\$ 2,600,000</b>	<b>\$ 1,273,318</b>	<b>\$ 8,238,000</b>	<b>\$ 4,199,315</b>

General Obligation Bond future debt service requirements:

Year Ending June 30,	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	Principal	Interest	Principal	Interest
2011			\$ 140,000	\$ 244,808
2012			\$ 145,000	\$ 239,558
2013			\$ 150,000	\$ 234,120
2014			\$ 155,000	\$ 228,120
2015			\$ 160,000	\$ 221,920
2016-2020			\$ 905,000	\$ 1,008,200
2021-2025			\$ 1,105,000	\$ 811,130
2026-2030			\$ 1,355,000	\$ 559,870
2031-2035			\$ 1,680,000	\$ 233,100
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,795,000</b>	<b>\$ 3,780,825</b>

The City entered into a capital lease agreement with Citicapital during March 2007 to purchase golf carts. The City financed the purchase over fifty-five months at a stated and effective rate of 5.52% interest. Monthly payments of \$8,650 are required July through December of each year through 2012 with a lump sum payment of \$68,400 due January 1, 2012. The lease is secured by the golf carts. The golf carts are recorded at \$139,356 with accumulated depreciation of \$66,360.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

The City entered into a capital lease agreement with Wells Fargo during November 2008 to purchase fairway maintenance equipment. The City financed the purchase over thirty-six months at a stated and effective rate of 5.245% interest. Monthly payments of \$1,821 are required through October 2011. The lease is secured by the equipment. The equipment is recorded at \$60,791 with accumulated depreciation of \$13,750.

The City entered into a capital lease agreement with John Deere during February 2009 to purchase fairway maintenance equipment. The City financed the purchase over thirty-six months at a stated and effective rate of 7.75% interest. Monthly payments of \$1,123 are required through January 2012. The lease is secured by the equipment. The equipment is recorded at \$36,200 with accumulated depreciation of \$7,326.

The City entered into a capital lease agreement with Wells Fargo during March 2009 to purchase fairway maintenance equipment. The City financed the purchase over thirty-six months at a stated and effective rate of 5.904% interest. Monthly payments of \$1,020 are required through February 2012. The lease is secured by the equipment. The equipment is recorded at \$33,750 with accumulated depreciation of \$6,027.

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 \$5,796.

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, 2012. The lease is secured by the golf carts. The golf carts are recorded at \$142,987 with accumulated depreciation of \$3,404.

Capital leases future debt service requirements:

Year ending June 30, 2011	\$ 134,541
Year ending June 30, 2012	\$ 178,681
Year ending June 30, 2013	\$ 35,074
Year ending June 30, 2014	\$ 35,074
Year ending June 30, 2015	\$ 60,149
Total minimum lease payments	<u>\$ 443,518</u>
Amount representing interest	<u>\$ (37,161)</u>
Present value of minimum lease payments	\$ 406,357
Amount due within one year	<u>\$ (116,803)</u>
Amount due after one year	<u>\$ 289,554</u>

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

**NOTE 9 – NET ASSETS**

Net assets at June 30, 2010 consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
<b>Invested in capital assets, net of related debt</b>		
Net capital assets	\$ 13,075,412	\$ 38,045,741
Less: Outstanding debt issued	\$ (2,600,000)	\$ (14,775,490)
Invested in capital assets, net of related debt	<u>\$ 10,475,412</u>	<u>\$ 23,270,251</u>
<b>Restricted net assets</b>		
Restricted for capital projects	\$ 4,208,292	\$ 944,893
Restricted for class C roads	\$ 343,053	\$ -
Restricted for debt service	\$ 354,806	\$ 254,194
Total restricted net assets	<u>\$ 4,906,151</u>	<u>\$ 1,199,087</u>
<b>Unrestricted net assets</b>	<u>\$ 2,935,231</u>	<u>\$ (402,699)</u>
Total net assets	<u>\$ 18,316,794</u>	<u>\$ 24,066,640</u>

**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 11.66% 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.

**CITY OF CEDAR HILLS**  
Notes to Financial Statements  
June 30, 2010

The City's contributions to the Noncontributory System for the years ending June 30, 2010, 2009, and 2008 were \$125,884, \$110,219, and \$96,388, 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 \$2,215, \$2,122, and \$890 for the fiscal years ended June 30, 2010, 2009, and 2008, respectively. Employee contributions of \$3,325 and \$2,771 were made to the plan for the year ended June 30, 2010 and 2009. No employee contributions were made for the year ended June 30, 2008. Employee contributions of \$6,668, \$4,649, and \$5,631 were made to the 401(k) plan for the years ended June 30, 2010, 2009, and 2008, respectively.

**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 2010.

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
2011	\$ 105,972	2021-2025	\$ 529,860
2012	\$ 105,972	2026-2030	\$ 529,860
2013	\$ 105,972	2031-2035	\$ 529,860
2014	\$ 105,972	2036-2040	\$ 529,860
2015	\$ 105,972	2041-2045	\$ 529,860
2016-2020	\$ 529,860	2046-2047	\$ 164,207
		<b>Total</b>	<b>\$ 3,873,227</b>

**CITY OF CEDAR HILLS**  
Notes to Financial Statements

June 30, 2010

**NOTE 13 – INTERFUND ACTIVITY**

Inter-fund transfers for the year ended June 30, 2010, consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$ 1,086,189
Capital Projects Fund	\$ 1,026,067	
Water & Sewer Fund		\$ 60,642
Golf Fund		\$ 134
Motor Pool Fund	\$ 120,897	
Total	<u>\$ 1,146,964</u>	<u>\$ 1,146,965</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.

**NOTE 14 – PRIOR-PERIOD ADJUSTMENTS**

Certain balances in the 2009 financial statements have been restated to properly present the 2009 year-end balance. These restatements were based on timing differences of transactions previously entered as well as fund adjustments. Below are the restatements that changed the fund balance/net assets:

	<u>General</u>	<u>Water &amp; Sewer</u>	<u>Golf Course</u>	<u>Government- Wide</u>
<b>Fund Balance/Net Assets June 30, 2009</b>	\$ 1,464,346	\$ 20,309,187	\$ 3,453,395	\$ 42,127,473
June 2009 garbage collection fees previously recorded in July	\$ (18,876)	\$ -	\$ -	\$ (18,876)
Franchise tax receivable in proper period	\$ (22,872)	\$ -	\$ -	\$ (22,872)
Remove leave-time accrual in fund financial statements	\$ 60,280	\$ -	\$ -	\$ -
Increase cart liability for proper period	\$ -	\$ -	\$ (5,554)	\$ (5,554)
Adjust accrued interest to actual year-end value	\$ -	\$ (15,455)	\$ (41,523)	\$ (53,044)
Adjust property tax receivable, not previously recorded	\$ -	\$ -	\$ 385,320	\$ 385,320
Record prior year property tax	\$ 5,122	\$ -	\$ -	\$ 5,122
Interest expense in proper period	\$ -	\$ -	\$ 3,155	\$ 3,155
Total prior-period adjustments:	<u>\$ 23,654</u>	<u>\$ (15,455)</u>	<u>\$ 341,398</u>	<u>\$ 293,251</u>
Net assets at June 30, 2010 as restated	<u>\$ 1,488,000</u>	<u>\$ 20,293,732</u>	<u>\$ 3,794,793</u>	<u>\$ 42,420,724</u>

In addition to the adjustments listed above, many accounts have been reclassified to conform to current-year presentation.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the accounting principles generally accepted in the United States of America, but are not considered a part of the financial statements. Such information includes:

Budgetary Comparison Schedules—General Fund

## BUDGETARY COMPARISON SCHEDULE

General Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues (inflows)</b>				
Taxes	\$ 2,146,370	\$ 2,186,570	\$ 2,252,232	\$ 65,662
License and permits	\$ 74,000	\$ 74,000	\$ 83,834	\$ 9,834
Intergovernmental	\$ 225,000	\$ 225,000	\$ 246,682	\$ 21,682
Charges for services	\$ 427,700	\$ 427,700	\$ 462,207	\$ 34,507
Other fees and services	\$ 55,000	\$ 55,000	\$ 45,439	\$ (9,561)
Miscellaneous	\$ 5,000	\$ 5,000	\$ 25,271	\$ 20,271
Interest income	\$ 20,000	\$ 20,000	\$ 7,887	\$ (12,113)
<b>Total revenues</b>	<u>\$ 2,953,070</u>	<u>\$ 2,993,270</u>	<u>\$ 3,123,552</u>	<u>\$ 130,282</u>
<b>Expenditures (outflows)</b>				
General government	\$ 2,095,685	\$ 2,135,885	\$ 1,816,447	\$ 319,438
Public safety	\$ 587,525	\$ 587,525	\$ 575,232	\$ 12,293
Parks and recreation	\$ 281,930	\$ 289,930	\$ 262,750	\$ 27,180
Transfers out	\$ 183,430	\$ 683,430	\$ 1,086,189	\$ (402,759)
<b>Total expenditures</b>	<u>\$ 3,148,570</u>	<u>\$ 3,696,770</u>	<u>\$ 3,740,617</u>	<u>\$ (43,847)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (195,500)	\$ (703,500)	\$ (617,065)	<u>\$ 86,435</u>
<b>Fund balance, beginning of year</b>	<u>\$ 1,488,000</u>	<u>\$ 1,488,000</u>	<u>\$ 1,488,000</u>	
<b>Fund balance, end of year</b>	<u>\$ 1,292,500</u>	<u>\$ 784,500</u>	<u>\$ 870,936</u>	

## OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the accounting principles generally accepted in the United States of America, nor a part of the financial statements, but are presented for additional analysis.

Such statements and schedules include:

### Individual Fund Financial Statements and Schedules

General Fund

Capital Projects Fund

Proprietary Funds

### Additional Schedules

Schedule of Audit Findings

Property Tax Levies and Collections

Information on Water Utility System

### Additional Auditors' Reports

Report on Internal Control over Financial Reporting and on Compliance  
And Other Matters Based on an Audit Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Utah State Compliance Report Based on the Requirements,  
Special Tests, and Provisions Required by the State of  
Utah's Legal Compliance Guide

## **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.

# GENERAL FUND

## Balance Sheet

June 30, 2010

With Comparative Totals for June 30, 2009

<b>ASSETS</b>	<b>2010</b>	<b>2009 Restated</b>
Cash and cash equivalents	\$ 380,055	\$ 1,041,517
Restricted cash and cash equivalents	\$ 381,509	\$ 357,370
Receivables		
Intergovernmental	\$ 241,738	\$ 225,992
Garbage billings (net)	\$ 40,706	\$ 37,884
Property taxes	\$ 654,279	\$ 666,048
Other receivables (net)	\$ 36,178	\$ 56,673
Prepaid expenses	\$ 27,880	\$ -
Total assets	<u>\$ 1,762,344</u>	<u>\$ 2,385,483</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 63,345	\$ 236,685
Accrued salaries and benefits	\$ 24,357	\$ 16,129
Deferred property tax revenue	\$ 628,340	\$ 626,080
Refundable deposits	\$ 78,589	\$ 18,589
Other payables	\$ 96,777	\$ -
Total liabilities	<u>\$ 891,409</u>	<u>\$ 897,483</u>
 <b>Fund balance</b>		
Reserved		
Restricted - Class C Roads	\$ 343,053	\$ 349,505
Restricted - Care tax	\$ 38,456	\$ 7,864
Unreserved	\$ 489,427	\$ 1,130,631
Total fund balance	<u>\$ 870,936</u>	<u>\$ 1,488,000</u>
Total liabilities and fund balance	<u>\$ 1,762,344</u>	<u>\$ 2,385,483</u>

## GENERAL FUND

### Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

REVENUES	Budget	Actual	Variance	2009 Restated
<b>Taxes</b>				
Property taxes	\$ 740,200	\$ 793,246	\$ 53,046	\$ 860,044
Delinquent taxes	\$ 63,000	\$ 79,186	\$ 16,186	\$ 81,955
Sales taxes	\$ 973,370	\$ 902,522	\$ (70,848)	\$ 825,298
Franchise taxes	\$ 310,000	\$ 334,355	\$ 24,355	\$ 318,856
Telecom taxes	\$ 100,000	\$ 112,395	\$ 12,395	\$ 111,673
Care tax	\$ -	\$ 30,527	\$ 30,527	\$ 7,864
<b>Total</b>	<b>\$ 2,186,570</b>	<b>\$ 2,252,232</b>	<b>\$ 65,662</b>	<b>\$ 2,205,691</b>
<b>Licenses and permits</b>				
Building permits	\$ 45,000	\$ 59,633	\$ 14,633	\$ 51,143
Other licenses and permits	\$ 29,000	\$ 24,201	\$ (4,799)	\$ 19,973
<b>Total</b>	<b>\$ 74,000</b>	<b>\$ 83,834</b>	<b>\$ 9,834</b>	<b>\$ 71,116</b>
<b>Intergovernmental revenue</b>				
Road fund allotments	\$ 220,000	\$ 241,114	\$ 21,114	\$ 224,307
Liquor fund allotments	\$ 5,000	\$ 5,568	\$ 568	\$ 5,383
<b>Total</b>	<b>\$ 225,000</b>	<b>\$ 246,682</b>	<b>\$ 21,682</b>	<b>\$ 229,690</b>
<b>Fees</b>				
Engineering inspection fees	\$ 7,500	\$ 4,910	\$ (2,590)	\$ 39,847
Penalty fees	\$ 1,000	\$ 5,275	\$ 4,275	\$ 4,279
Application and processing fees	\$ 1,000	\$ 200	\$ (800)	\$ 32
Plan check fees	\$ 15,000	\$ 24,736	\$ 9,736	\$ 13,268
Garbage fees	\$ 345,000	\$ 356,546	\$ 11,546	\$ 348,317
Recycling fees	\$ 40,000	\$ 45,695	\$ 5,695	\$ 41,131
Fee in lieu of taxes	\$ 1,000	\$ 3,691	\$ 2,691	\$ 493
Inspection fees	\$ 1,000	\$ -	\$ (1,000)	\$ 1,300
Zoning violation fee	\$ -	\$ 4,955	\$ 4,955	\$ 5,050
Rent	\$ 16,200	\$ 16,200	\$ -	\$ 16,200
<b>Total</b>	<b>\$ 427,700</b>	<b>\$ 462,207</b>	<b>\$ 34,507</b>	<b>\$ 469,917</b>
<b>Recreation and culture revenue</b>				
Recreation and festival income	\$ 25,000	\$ 11,466	\$ (13,534)	\$ 48,610
Recreation programs	\$ 30,000	\$ 33,923	\$ 3,923	\$ 33,714
Other recreation revenue	\$ -	\$ 50	\$ 50	\$ -
<b>Total</b>	<b>\$ 55,000</b>	<b>\$ 45,439</b>	<b>\$ (9,561)</b>	<b>\$ 82,324</b>
<b>Miscellaneous revenues</b>				
Interest earnings	\$ 20,000	\$ 7,887	\$ (12,113)	\$ 23,492
Construction bond forfeiture	\$ -	\$ 8,000	\$ 8,000	\$ -
Other revenue	\$ 5,000	\$ 17,271	\$ 12,271	\$ 44,803
<b>Total</b>	<b>\$ 25,000</b>	<b>\$ 33,158</b>	<b>\$ 8,158</b>	<b>\$ 68,296</b>
<b>Total revenues</b>	<b>\$ 2,993,270</b>	<b>\$ 3,123,552</b>	<b>\$ 130,282</b>	<b>\$ 3,127,034</b>

## GENERAL FUND

### Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009

EXPENDITURES	Budget	Actual	Variance	2009 Restated
<b>General government</b>				
General government	\$ 296,980	\$ 247,516	\$ 49,464	\$ 257,952
Mayor & council	\$ 66,800	\$ 62,517	\$ 4,283	\$ 60,623
Administrative service	\$ 491,455	\$ 437,535	\$ 53,920	\$ 403,064
Building and zoning	\$ 149,450	\$ 125,433	\$ 24,017	\$ 236,940
Public works	\$ 367,700	\$ 323,043	\$ 44,657	\$ 330,823
Highway and streets	\$ 410,500	\$ 281,177	\$ 129,323	\$ 323,803
Solid waste	\$ 353,000	\$ 339,226	\$ 13,774	\$ 333,056
Total	<u>\$ 2,135,885</u>	<u>\$ 1,816,447</u>	<u>\$ 319,438</u>	<u>\$ 1,946,260</u>
<b>Public safety</b>				
Crossing guards	\$ 15,500	\$ 14,330	\$ 1,170	\$ 13,919
Police department	\$ 364,525	\$ 357,238	\$ 7,287	\$ 339,439
Fire department	\$ 202,000	\$ 198,699	\$ 3,301	\$ 200,431
Animal control	\$ 5,500	\$ 4,965	\$ 535	\$ 2,158
Other public safety	\$ -	\$ -	\$ -	\$ 2,803
Total	<u>\$ 587,525</u>	<u>\$ 575,232</u>	<u>\$ 12,293</u>	<u>\$ 558,750</u>
<b>Recreation and culture</b>				
Library	\$ 14,000	\$ 14,000	\$ -	\$ 13,500
Recreation	\$ 221,430	\$ 196,862	\$ 24,568	\$ 206,209
City celebrations	\$ 40,000	\$ 39,251	\$ 749	\$ 89,752
Other celebrations	\$ 14,500	\$ 12,636	\$ 1,864	\$ 21,239
Total	<u>\$ 289,930</u>	<u>\$ 262,750</u>	<u>\$ 27,180</u>	<u>\$ 330,699</u>
Total expenditures	<u>\$ 3,013,340</u>	<u>\$ 2,654,428</u>	<u>\$ 358,912</u>	<u>\$ 2,835,710</u>
Excess of revenues over expenditures	<u>\$ (20,070)</u>	<u>\$ 469,124</u>	<u>\$ 489,194</u>	<u>\$ 291,325</u>
<b>Other financing sources (uses)</b>				
Operating transfers out	\$ (683,430)	\$ (1,086,189)	\$ (402,759)	\$ (161,248)
Total other financing sources (uses)	<u>\$ (683,430)</u>	<u>\$ (1,086,189)</u>	<u>\$ (402,759)</u>	<u>\$ (161,248)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (703,500)</u>	<u>\$ (617,065)</u>	<u>\$ 86,435</u>	<u>\$ 130,076</u>
Fund balance at beginning of year	\$ 1,488,000	\$ 1,488,000		\$ 1,357,924
Fund balance at end of year	<u>\$ 784,500</u>	<u>\$ 870,936</u>		<u>\$ 1,488,000</u>

## **CAPITAL PROJECTS FUND**

The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of capital assets.

# CAPITAL PROJECTS FUND

## Balance Sheet

June 30, 2010

With Comparative Totals for June 30, 2009

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,550,784	\$ 1,657,507
Restricted cash and cash equivalents		
Impact fees	\$ 4,169,836	\$ 4,097,385
Debt reserve	\$ 354,806	\$ 412,598
Total assets	<u>\$ 7,075,427</u>	<u>\$ 6,167,490</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 52,927	\$ 41,685
Total liabilities	<u>\$ 52,927</u>	<u>\$ 41,685</u>
 <b>Fund balance</b>		
Reserved		
Restricted - Capital projects	\$ 4,169,836	\$ 4,097,385
Restricted - Debt service	\$ 354,806	\$ 412,598
Unreserved	\$ 2,497,858	\$ 1,615,822
Total fund balance	<u>\$ 7,022,500</u>	<u>\$ 6,125,805</u>
Total liabilities and fund balance	<u>\$ 7,075,427</u>	<u>\$ 6,167,490</u>

**CAPITAL PROJECTS FUND**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual

For the Year Ended June 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009

REVENUES	Budget	Actual	Variance	2009
Impact fees				
Park development	\$ 7,020	\$ 11,700	\$ 4,680	\$ 1,170
Park land	\$ 26,268	\$ 39,402	\$ 13,134	\$ 4,378
Recreation	\$ 9,840	\$ 16,400	\$ 6,560	\$ 1,640
Public safety	\$ 5,370	\$ 10,092	\$ 4,722	\$ 5,139
Streets	\$ 13,140	\$ 76,387	\$ 63,247	\$ 37,781
Interest earnings	\$ 100,000	\$ 34,325	\$ (65,675)	\$ 113,222
Grant revenues	\$ 5,000	\$ 10,545	\$ 5,545	\$ 44,013
<b>Total revenues</b>	<b>\$ 166,638</b>	<b>\$ 198,852</b>	<b>\$ 32,214</b>	<b>\$ 207,843</b>
<b>EXPENDITURES</b>				
General and administrative	\$ 4,020	\$ 4,020	\$ -	\$ 4,020
Highways and streets	\$ 565,000	\$ 48,870	\$ 516,130	\$ 48,360
Parks and recreation	\$ 1,789,500	\$ 71,722	\$ 1,717,778	\$ 13,597
Debt service				
Principal	\$ 95,000	\$ 95,000	\$ -	\$ 95,000
Interest	\$ 109,363	\$ 108,612	\$ 751	\$ 113,823
<b>Total expenditures</b>	<b>\$ 2,562,883</b>	<b>\$ 328,224</b>	<b>\$ 2,234,659</b>	<b>\$ 274,800</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,396,245)</b>	<b>(129,372)</b>	<b>2,266,873</b>	<b>(67,457)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	\$ 54,500	\$ 1,026,067	\$ 971,567	\$ 152,963
<b>Total other financing sources (uses)</b>	<b>\$ 54,500</b>	<b>\$ 1,026,067</b>	<b>\$ 971,567</b>	<b>\$ 152,963</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (2,341,745)</b>	<b>\$ 896,695</b>	<b>\$ 3,238,440</b>	<b>\$ 85,505</b>
Fund balance at beginning of year	\$ 6,125,805	\$ 6,125,805		\$ 6,040,300
Fund balance at end of year	<b>\$ 3,784,060</b>	<b>\$ 7,022,500</b>		<b>\$ 6,125,805</b>

## **PROPRIETARY FUNDS**

The proprietary funds are used to account for the business-like activities of the City.

# WATER AND SEWER FUND

## Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

ASSETS	<u>2010</u>	<u>2009 Restated</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 956,470	\$ 1,153,707
Prepaid expense	\$ 11,231	\$ -
Accounts receivable (net)	\$ 265,816	\$ 300,495
Total current assets	<u>\$ 1,233,517</u>	<u>\$ 1,454,202</u>
<b>Capital assets</b>		
Water improvements	\$ 19,041,102	\$ 18,535,781
Sewer improvements	\$ 6,454,837	\$ 9,555,373
Storm drain improvements	\$ 3,115,094	\$ -
Less: Accumulated depreciation	\$ (5,275,193)	\$ (4,701,643)
Net capital assets	<u>\$ 23,335,840</u>	<u>\$ 23,389,511</u>
<b>Water stock</b>	\$ 3,290,379	\$ 3,145,179
<b>Other noncurrent assets</b>		
Bond costs	\$ 177,020	\$ 177,020
Less: Accumulated amortization	\$ (28,446)	\$ (21,017)
Restricted cash and cash equivalents	\$ 1,199,087	\$ 1,620,071
Total noncurrent assets	<u>\$ 1,347,662</u>	<u>\$ 1,776,075</u>
Total assets	<u><u>\$ 29,207,399</u></u>	<u><u>\$ 29,764,968</u></u>

# WATER AND SEWER FUND

## Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

LIABILITIES	2010	2009 Restated
<b>Current liabilities</b>		
Accounts payable	\$ 200,323	\$ 314,331
Accrued salaries and benefits	\$ 37,618	\$ 8,968
Accrued interest payable	\$ 140,104	\$ 131,856
Refundable deposits	\$ -	\$ 55,000
Unearned revenue	\$ 3,998	\$ 77,780
Development agreements payable	\$ 336,133	\$ 338,300
Current portion of long-term debt	\$ 265,000	\$ 307,000
Total current liabilities	\$ 983,176	\$ 1,233,235
<b>Noncurrent liabilities</b>		
Notes and bonds payable	\$ 8,238,000	\$ 8,545,000
Less: Current portion	\$ (265,000)	\$ (307,000)
Total noncurrent liabilities	\$ 7,973,000	\$ 8,238,000
Total liabilities	\$ 8,956,176	\$ 9,471,235
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 18,200,661	\$ 17,807,394
Restricted		
Capital assets	\$ 944,893	\$ 1,464,573
Debt service	\$ 254,194	\$ 155,499
Unrestricted	\$ 851,474	\$ 866,267
Total net assets	\$ 20,251,223	\$ 20,293,732

**WATER AND SEWER FUND**  
Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Budget and Actual

For the Year Ended June 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2009 Restated</u>
<b>Operating revenues</b>				
Water charges	\$ 1,410,140	\$ 1,514,708	\$ 104,568	\$ 1,431,622
Sewer charges	\$ 662,760	\$ 688,337	\$ 25,577	\$ 432,657
Storm drain charges	\$ 150,000	\$ 166,319	\$ 16,319	\$ 172,486
Utility setup fees	\$ 10,000	\$ 14,574	\$ 4,574	\$ 13,420
<b>Total operating revenues</b>	<u>\$ 2,232,900</u>	<u>\$ 2,383,938</u>	<u>\$ 151,038</u>	<u>\$ 2,050,186</u>
<b>Operating expenses</b>				
Salaries, wages, and employee benefits	\$ 550,550	\$ 522,976	\$ 27,574	\$ 448,186
Supplies and maintenance	\$ 164,830	\$ 141,513	\$ 23,317	\$ 165,849
Utilities and telephone	\$ 270,100	\$ 264,709	\$ 5,392	\$ 213,313
Professional and technical	\$ 9,000	\$ 7,418	\$ 1,582	\$ 7,046
Timpanogos Special Service District fees	\$ 416,040	\$ 413,895	\$ 2,145	\$ 293,790
Water purchases	\$ 145,000	\$ 129,080	\$ 15,920	\$ 128,856
Bad debts	\$ 16,000	\$ 27,591	\$ (11,591)	\$ 26,747
Capital asset acquisition	\$ 988,200	\$ -	\$ 988,200	\$ -
Depreciation and amortization	\$ -	\$ 580,979	\$ (580,979)	\$ 535,511
<b>Total operating expenses</b>	<u>\$ 2,559,720</u>	<u>\$ 2,088,162</u>	<u>\$ 471,558</u>	<u>\$ 1,819,297</u>
<b>Operating income (loss)</b>	<u>\$ (326,820)</u>	<u>\$ 295,777</u>	<u>\$ (320,520)</u>	<u>\$ 230,888</u>
<b>Non-operating income (expense)</b>				
Construction bond forfeiture	\$ -	\$ -	\$ -	\$ 869,862
Debt service	\$ (307,000)	\$ -	\$ 307,000	\$ -
Interest income	\$ 24,000	\$ 10,764	\$ (13,236)	\$ 56,453
Interest expense	\$ (356,901)	\$ (351,395)	\$ 5,506	\$ (341,006)
<b>Total non-operating income (expense)</b>	<u>\$ (639,901)</u>	<u>\$ (340,631)</u>	<u>\$ 299,270</u>	<u>\$ 585,309</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>\$ (966,721)</u>	<u>\$ (44,854)</u>	<u>\$ (21,250)</u>	<u>\$ 816,197</u>
<b>Capital contributions</b>				
Impact fees	\$ 49,120	\$ 40,186	\$ (8,934)	\$ 17,300
Developers	\$ 1,200	\$ 22,800	\$ 21,600	\$ 144,000
<b>Total capital contributions</b>	<u>\$ 50,320</u>	<u>\$ 62,986</u>	<u>\$ 12,666</u>	<u>\$ 161,300</u>
<b>Operating transfers</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	\$ (87,320)	\$ (60,642)	\$ 26,678	\$ (117,191)
<b>Net operating transfers</b>	<u>\$ (87,320)</u>	<u>\$ (60,642)</u>	<u>\$ 26,678</u>	<u>\$ (117,191)</u>
<b>Net income (loss)</b>	<u>\$ (1,003,721)</u>	<u>\$ (42,510)</u>	<u>\$ 961,211</u>	<u>\$ 860,306</u>
<b>Net assets at beginning of year</b>	<u>\$ 20,293,732</u>	<u>\$ 20,293,732</u>		<u>\$ 19,433,426</u>
<b>Net assets at end of year</b>	<u>\$ 19,290,011</u>	<u>\$ 20,251,223</u>		<u>\$ 20,293,732</u>

Budget numbers are reported on a cash basis.

# GOLF COURSE FUND

## Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

<b>ASSETS</b>	<u>2010</u>	<u>2009 Restated</u>
<b>Current assets</b>		
Receivables		
Property taxes	\$ 385,260	\$ 385,320
Other receivables	\$ 89,624	\$ 3,523
Prepaid expense	\$ 13,223	\$ 18,773
Inventory	\$ 51,531	\$ 39,824
Total current assets	<u>\$ 539,638</u>	<u>\$ 447,440</u>
<b>Capital assets</b>		
Land	\$ 3,810,023	\$ 3,810,023
Golf course improvements	\$ 8,816,773	\$ 8,772,573
Less: Accumulated depreciation	\$ (1,595,145)	\$ (1,367,545)
Net capital assets	<u>\$ 11,031,651</u>	<u>\$ 11,215,051</u>
<b>Other noncurrent assets</b>		
Bond costs	\$ 118,827	\$ 118,827
Less: Accumulated amortization	\$ (19,121)	\$ (15,024)
Total noncurrent assets	<u>\$ 99,705</u>	<u>\$ 103,803</u>
Total assets	<u><u>\$ 11,670,995</u></u>	<u><u>\$ 11,766,295</u></u>

# GOLF COURSE FUND

## Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

<b>LIABILITIES</b>	<b>2010</b>	<b>2009 Restated</b>
<b>Current liabilities</b>		
Outstanding checks in excess of deposits	\$ 1,674,450	\$ 1,580,028
Accrued interest payable	\$ 103,669	\$ 111,049
Accounts payable	\$ 36,615	\$ 25,559
Accrued salaries and benefits	\$ 23,964	\$ 10,895
Current portion of long-term debt	\$ 256,803	\$ 226,171
Total current liabilities	<u>\$ 2,095,500</u>	<u>\$ 1,953,701</u>
<b>Noncurrent liabilities</b>		
Notes payable	\$ 406,357	\$ 313,972
Bonds payable	\$ 5,795,000	\$ 5,930,000
Less: Current portion	\$ (256,803)	\$ (226,171)
Total noncurrent liabilities	<u>\$ 5,944,554</u>	<u>\$ 6,017,801</u>
Total liabilities	<u><u>\$ 8,040,055</u></u>	<u><u>\$ 7,971,502</u></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 4,929,999	\$ 5,074,883
Unrestricted	\$ (1,299,059)	\$ (1,280,090)
Total net assets	<u><u>\$ 3,630,940</u></u>	<u><u>\$ 3,794,793</u></u>

## GOLF COURSE FUND

### Statement of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual

For the Year Ended June 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2009 Restated</u>
<b>Operating revenues</b>				
Golf revenue	\$ 750,222	\$ 555,170	\$ (195,052)	\$ 587,858
Other operating revenues	\$ 173,000	\$ 124,800	\$ (48,200)	\$ 162,874
<b>Total operating revenues</b>	<u>\$ 923,222</u>	<u>\$ 679,970</u>	<u>\$ (243,252)</u>	<u>\$ 750,732</u>
<b>Operating expenses</b>				
Salaries, wages, and employee benefits	\$ 471,837	\$ 398,314	\$ 78,023	\$ 385,313
General and administrative	\$ 98,350	\$ 75,537	\$ 22,813	\$ 85,615
Supplies and maintenance	\$ 243,450	\$ 199,003	\$ 44,447	\$ 165,663
Lease expense	\$ 126,025	\$ 13,008	\$ 113,017	\$ 14,844
Depreciation and amortization	\$ -	\$ 294,740	\$ (294,740)	\$ 275,036
<b>Total operating expenses</b>	<u>\$ 939,162</u>	<u>\$ 975,602</u>	<u>\$ (36,440)</u>	<u>\$ 926,471</u>
<b>Operating loss</b>	<u>\$ (15,940)</u>	<u>\$ (295,633)</u>	<u>\$ (279,693)</u>	<u>\$ (175,739)</u>
<b>Non-operating income (expense)</b>				
Interest expense	\$ (385,320)	\$ (263,133)	\$ 122,187	\$ (294,634)
Property taxes	\$ 385,320	\$ 385,260	\$ (60)	\$ 384,575
Gain (loss) on sale of assets	\$ -	\$ 9,787	\$ 9,787	\$ (5,371)
<b>Total non-operating income (expense)</b>	<u>\$ -</u>	<u>\$ 131,914</u>	<u>\$ 131,914</u>	<u>\$ 84,570</u>
<b>Loss before operating transfers</b>	<u>\$ (15,940)</u>	<u>\$ (163,719)</u>	<u>\$ (147,779)</u>	<u>\$ (91,169)</u>
<b>Operating transfers</b>				
Transfers out	\$ -	\$ (134)	\$ (134)	\$ -
<b>Net operating transfers</b>	<u>\$ -</u>	<u>\$ (134)</u>	<u>\$ (134)</u>	<u>\$ -</u>
<b>Net income (loss)</b>	<u>\$ (15,940)</u>	<u>\$ (163,853)</u>	<u>\$ (147,913)</u>	<u>\$ (91,169)</u>
<b>Net assets at beginning of year</b>	<u>\$ 3,794,793</u>	<u>\$ 3,794,793</u>		<u>\$ 3,885,962</u>
<b>Net assets at end of year</b>	<u>\$ 3,778,853</u>	<u>\$ 3,630,940</u>		<u>\$ 3,794,793</u>

Budget numbers are reported on a cash basis.

# MOTOR POOL FUND

## Statement of Net Assets

June 30, 2010

With Comparative Totals for June 30, 2009

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 71,316	\$ 93,844
Accounts receivable	\$ 19,050	\$ -
Prepaid expenses	\$ 2,488	\$ -
Total current assets	<u>\$ 92,854</u>	<u>\$ 93,844</u>
<b>Capital assets</b>		
Vehicles	\$ 489,363	\$ 477,153
Less: Accumulated depreciation	\$ (210,183)	\$ (194,276)
Net capital assets	<u>\$ 279,180</u>	<u>\$ 282,876</u>
Total assets	<u>\$ 372,034</u>	<u>\$ 376,721</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,081	\$ 7,767
Total liabilities	<u>\$ 3,081</u>	<u>\$ 7,767</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 279,180	\$ 282,876
Unrestricted	\$ 89,773	\$ 86,077
Total net assets	<u>\$ 368,953</u>	<u>\$ 368,953</u>

## MOTOR POOL FUND

### Statement of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual

For the Year Ended June 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009

	Budget	Actual	Variance	2009
Operating revenues, vehicles	\$ -	\$ -	\$ -	\$ -
<b>Operating expenses</b>				
Vehicle maintenance	\$ 59,500	\$ 55,927	\$ 3,573	\$ 56,551
Capital asset acquisition	\$ 141,650	\$ -	\$ 141,650	\$ -
Depreciation	\$ -	\$ 88,324	\$ (88,324)	\$ 75,874
Total operating expenses	\$ 201,150	\$ 144,251	\$ 56,899	\$ 132,425
Operating income (loss)	\$ (201,150)	\$ (144,251)	\$ 56,899	\$ (132,425)
<b>Non-operating income (expense)</b>				
Gain (loss) on sale of assets	\$ -	\$ 23,354	\$ 23,354	\$ 6,761
Total non-operating income (expense)	\$ -	\$ 23,354	\$ 23,354	\$ 6,761
Loss before operating transfers	\$ (201,150)	\$ (120,897)	\$ 80,253	\$ (125,664)
<b>Operating transfers</b>				
Transfers in	\$ 201,150	\$ 120,897	\$ (80,253)	\$ 125,447
Net operating transfers	\$ 201,150	\$ 120,897	\$ (80,253)	\$ 125,447
Net income (loss)	\$ -	\$ -	\$ -	\$ (217)
Net assets at beginning of year	\$ 368,953	\$ 368,953		\$ 369,170
Net assets at end of year	\$ 368,953	\$ 368,953		\$ 368,953

Budget numbers are reported on a cash basis.

## **ADDITIONAL SCHEDULES**

These schedules are included to provide additional information for analysis.

December 6, 2010

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, 2010, 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider finding 2010-1 listed below to be a significant deficiency in internal control over financial reporting.

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 FINDINGS

### **Finding 2010-1:** *Prior period adjustments (significant deficiency)*

Prior to beginning the current year audit, management found adjustments that needed to be booked in order to correctly state prior year. These adjustments were a result of researching past transactions relating to restricted cash accounts, debt, accounts payable and accounts receivable.

### **Recommendation:**

Restate the 2009-2010 financial statements and continue to maintain detailed records reporting information in the proper period.

### **Management response:**

After a detailed review of the fiscal year 2009 financial statements, we discovered several errors that required correction. We want the City's financial statements to be as accurate and reliable as possible, so we have created procedures to prevent these errors from occurring in the future.

### **Finding 2010-2:** *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that transfers from the general fund actual expenditures exceeded the appropriations.

### **Recommendation:**

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

### **Management response:**

The transfer prevents the unreserved fund balance in the General Fund from exceeding 18 percent of General Fund revenues, the statutory maximum. Since the 2009 fund balance was stated incorrectly, the need for this transfer was not identified early enough to receive City Council approval.

In conclusion, we wish to recognize Rebecca Tehero 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 2010 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



Diana Cannell, CPA

**CITY OF CEDAR HILLS**  
Property Tax Levies and Collections

<u>Year End December 31,</u>	<u>Total Taxes Assessed</u>	<u>Current Collections</u>	<u>Delinquent Collections</u>	<u>Total Collected</u>	<u>Percentage of Current Collections to Total Taxes Assessed</u>	<u>Percentage of Total Collections to Total Taxes Assessed</u>
2009	\$ 1,126,749	\$ 1,066,756	\$ 93,429	\$ 1,160,185	94.68%	102.97%
2008	\$ 1,229,918	\$ 1,120,641	\$ 58,390	\$ 1,179,031	91.12%	95.86%
2007	\$ 1,230,464	\$ 1,136,774	\$ 82,326	\$ 1,219,100	92.39%	99.08%
2006	\$ 1,078,665	\$ 993,830	\$ 46,726	\$ 1,040,556	92.14%	96.47%
2005	\$ 452,739	\$ 406,918	\$ 55,237	\$ 462,155	89.88%	102.08%
2004	\$ 414,394	\$ 360,112	\$ 62,539	\$ 422,651	86.90%	101.99%
2003	\$ 411,891	\$ 365,557	\$ 57,270	\$ 422,827	88.75%	102.66%

**CITY OF CEDAR HILLS**  
Information on Water Utility System

There are 2,224 utility connections to the system.

**Utility Fees**

Water (No PI Available)	Base Rate (no usage)	\$	6.00	Per Month	Resolution 6-19-2007A
	1-10,000	\$	1.25	Per 1,000 gallons	Resolution 6-19-2007A
	10,001-12,000	\$	2.00	Per 1,000 gallons	Resolution 6-19-2007A
	12,001-18,000	\$	2.50	Per 1,000 gallons	Resolution 6-19-2007A
	18,000+	\$	1.50	Per 1,000 gallons	Resolution 6-19-2007A
Water (PI Available)	Base Rate (no usage)	\$	6.00	Per Month	Resolution 6-19-2007A
	1-10,000	\$	1.25	Per 1,000 gallons	Resolution 6-19-2007A
	10,001-12,000	\$	2.00	Per 1,000 gallons	Resolution 6-19-2007A
	12,001-18,000	\$	3.00	Per 1,000 gallons	Resolution 6-19-2007A
	18,000+	\$	4.00	Per 1,000 gallons	Resolution 6-19-2007A
Water (PI Not Connected)	Base Rate (no usage)	\$	6.00	Per Month	Resolution 6-19-2007A
	1-6,000	\$	2.00	Per 1,000 gallons	Resolution 6-19-2007A
	6,001-12,000	\$	3.00	Per 1,000 gallons	Resolution 6-19-2007A
	12,001-18,000	\$	4.00	Per 1,000 gallons	Resolution 6-19-2007A
	18,000+	\$	5.00	Per 1,000 gallons	Resolution 6-19-2007A

**Analysis of funds created with bond issuance:**

**Construction Fund**

Balance at June 30, 2009	\$	845,786
Interest earned	\$	3,330
Disbursements	\$	(600,374)
Balance at June 30, 2010	\$	<u>248,743</u>

**Bond Fund**

Balance at June 30, 2009	\$	42,196
Deposits	\$	125,916
Interest earned	\$	-
Disbursements	\$	(125,617)
Balance at June 30, 2010	\$	<u>42,495</u>

**Reserve Fund**

Balance at June 30, 2009	\$	32,461
Deposits	\$	22,860
Interest earned	\$	-
Disbursements	\$	-
Balance at June 30, 2010	\$	<u>55,321</u>

The City is in compliance with the bond covenants for the Utility Revenue Bonds, Series 2007.

## ADDITIONAL AUDITORS' REPORTS

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.

**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 the Cedar Hills City, Utah (the City) as of and for the year ended June 30, 2010, which collectively comprise the City of Cedar Hills's basic financial statements and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying management letter as finding 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Cedar Hills's responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

*Allred Jackson*

December 6, 2010

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

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 the Cedar Hills City, Utah (the City), for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major State assistance programs from the State of Utah:

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

The City did not receive any major or nonmajor State grants during the year ended June 30, 2010.

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

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards
	State Retirement

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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

The city's written responses to the findings identified in our audit are 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 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.

*Alfred Jackson*

December 6, 2010