

CITY OF CEDAR HILLS, UTAH



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**Prepared by:
Department of Finance**

INTRODUCTORY SECTION



CITY OF CEDAR HILLS
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December 7, 2016

To the Honorable Mayor, Members of the Governing Council and Citizens of the City of Cedar Hills:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Keddington & Christensen, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Cedar Hill's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

Cedar Hills is built upon an alluvial fan or bench, created thousands of years ago when it was a shore-line of Lake Bonneville. Early settlers referred to the area as "the Bench." Because of the growth of cedar trees (later becoming Manila's source of Christmas trees), the area was later referred to as Cedar Hills. The bench provides a beautiful view of the surrounding mountains, Utah Lake, and Utah Valley. Cedar Hills was established as a community in 1977. The surrounding cities such as Pleasant Grove and Alpine were settled in 1849 and 1850. Cedar Hills is located 35 miles south of Salt Lake City, eight miles north of the Orem/Provo area, and east of Alpine and Highland on the slopes of Mount Timpanogos.

The City of Cedar Hills has operated under the mayor-council form of government. A mayor and five council members are elected at-large for four-year, staggered terms. The Mayor, with Council approval, appoints the City of Cedar Hills's manager, who in turn appoints its department heads.

The City of Cedar Hills provides a wide range of services, water, sewer, and pressurized irrigation services; garbage and recycling; snow removal; code enforcement; building inspections; licenses and permits; the maintenance of streets, and other infrastructure; recreational and cultural activities; police and fire services

are provided through American Fork City and Lone Peak Safety respectively. Electricity is provided by Rocky Mountain Power, gas by Questar Gas, telephone by CenturyLink, and cable by Comcast.

The Council is required to adopt an initial budget for the fiscal year no later than the first Tuesday in May. This annual budget serves as the foundation for the City of Cedar Hills financial planning and control. The budget is prepared by fund. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

Local economy

The City of Cedar Hills is an affluent area in the center of the Wasatch front. Within 10 to 15 minutes residents have access to growing clusters of businesses and major shopping outlets. Major businesses located in close proximity include Adobe, IM Flash Technologies, Thanksgiving Point, the Meadows, and Tanger's shopping outlet. Recent transportation improvements in the area include widening the Timpanogos Highway and North County Boulevard, the I-15 Core project, and the addition of commuter rail.

Because of its location in a region with a strong economic base, unemployment had been relatively stable. During the past ten years, the unemployment rate in the County rose from an initial low of 2.5 percent (2007) to a decade high of 8.0 percent for (2010). Although unemployment rates rose nationwide during the recession, Utah County continues to experience unemployment rates consistently lower than national averages. The County's unemployment rate as of June 2016 was 3.2 percent compared to 4.9 percent nationally. A leveling off in unemployment rates are anticipated in fiscal calendar year 2016-2017.

Median household incomes within the City of Cedar Hills are significantly higher than for the state as a whole. For 2015, according to the federal returns on the Utah State Tax Commission's website, the City's household median gross income was \$87,555; Utah County's was \$50,683, while the state's was \$50,123. The census has the government's population at 10,265 as of 2015. The population growth has slowed down, because the City is getting close to build out, and families are getting old enough to have children move out on their own.

Due to the stronger local economy and its conservative financial management, the City of Cedar Hills received an improved credit rating of AA- from Fitch and Standard and Poor's Investor Service during 2012, which is probably the highest general obligation bond rating the City will be able to receive based on its small population and lack of commercial development within city limits.

Over the past ten years, the government has experienced a period of steady economic growth and investment. The City's first supermarket, bank, gas station, and McDonald's were all constructed. This development, combined with high quality transportation systems, the presence of retail and service industries, and the presence of recreational, educational and health facilities in the nearby proximity have further strengthened the City's already strong economic base.

During the past ten years, the government's expenditures related to public safety contracts have increased from \$468,442 to \$1,168,200, and as a percentage of total expenses (from 8.0 percent to currently 13.7 percent). The growth of the City and a desire by the governing body to improve the level of service provided through the years contributed to the large increase in expenditures. Also, some of this increase reflects lower ambulance revenues in recent years that are used to offset costs.

During this same ten-year period, sales taxes related to governmental funds have increased from \$770,586 to \$1,248,838. The increase in sales taxes is due to a few factors, population growth, a favorable change in 2006 that had less of an emphasis on point of sale, and more on population of a city, and the recent addition of

commercial development/Walmart in 2008. This growth has been necessary to offset the increased costs of public safety, and decreases in other revenue sources (e.g., building permits).

Long-term financial planning and major initiatives

The maximum unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) allowed by the State of Utah is 25% of actual revenues. In the general fund, at year end, unrestricted fund balance was approximately 22.2% of the total actual general fund revenues. This amount follows close to the policy guidelines set by the governing body for budgetary and planning purposes (i.e. a minimum target amount of 16% or two months of revenues). The higher fund balance amount, is for rainy day type expenditures that should help the city maintain core services , if it were to experience a significant downturn in sales tax revenues.

As part of its strategic plan, the governing body also envisions the additional commercial development of its Cedar Hills Drive/North County Boulevard corridor, which began with the addition of Hart's food and gas. An Amsource development was approved in the Fall of 2014, which includes a Dollar Tree store and a Great Clips.

The city maintains a Capital Improvement Plan, which serves as its planning document to ensure that its parks, facilities, equipment, and infrastructure are well maintained and operating in peak condition. This budget process gives the city the ability to plan for its capital needs and allocate short- and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the public works department monitors the condition of all government equipment and vehicles and makes recommendations on their replacement.

The fiscal year 2016-2017 capital Improvement plan anticipates \$300,000 for constructing a golf maintenance building, \$550,000 for Harvey Boulevard improvements, \$2,472,000 for Deerfield park, \$50,000 for Heritage Park Amphitheater improvements, \$37,825 for practice range fencing, \$30,000 for street light projects, \$25,000 for fencing near the public works building, and \$446,224 for Bayhill Trailhead Park.

The government's 2016-2017 equipment and vehicles program will replace three trucks.

As a result of careful financial management, revenues were greater than expenditures for the prior fiscal year. In addition, the City has a policy that nonrecurring (i.e., "one-time") resource inflows not be used for operating purposes. During the current year, Utah County informed the government that it would provide approximately \$5,500 for park and recreation improvements. The council, in accordance with its policy, plans to use the grant towards Bayhill park's engineering plans.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the government the GFOA's *Distinguished Budget Presentation Award* for its annual budget document for the fiscal year ended June 30, 2016. This is the 14th year that the city has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The GFOA awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the city for its comprehensive annual financial report for fiscal year ended December 31, 2015. This is the third year the city achieved this prestigious award. In order to achieve this award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe this current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the city's second financial reporting certificate award.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the finance and administration department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the mayor and the council for their support for maintaining the highest standards of professionalism in the management of the city's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Charl Louw", written in a cursive style.

Charl Louw, CPA, MBA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Cedar Hills
Utah**

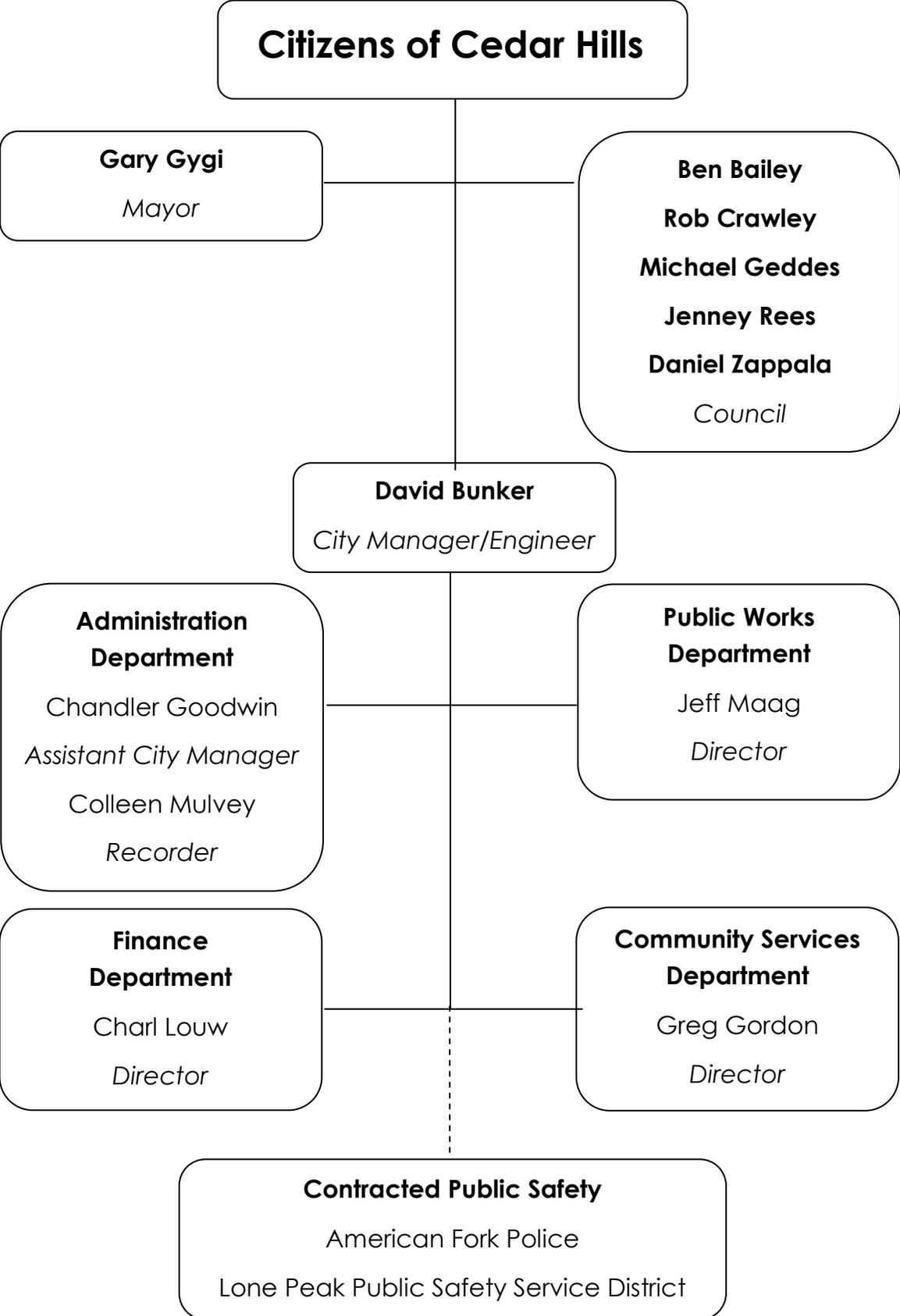
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Cedar Hills Organization Chart

As of June 30, 2016



FINANCIAL SECTION





Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warrock, CPA
Marcus K. Arbuckle, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Cedar Hills
Cedar Hills, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cedar Hills (the City) as of and for the fiscal years ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Golf Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and the schedule of contributions as noted in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, schedule of revenues, expenditures, and changes in fund balance – budget and actual on pages in the supplementary information as noted in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in fund balance – budget and actual in the supplementary information as noted in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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.

Keddington & Christensen, LLC

Keddington & Christensen, LLC

December 7, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the city of Cedar Hills exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$53,937,369 (net position). Of this amount, \$4,389,490 unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The city's total net position increased \$1,366,287.
- At the close of the current fiscal year, the city's governmental funds reported combined fund balances of \$4,014,461. An increase of \$450,326 in comparison with the prior year because of higher sales tax revenues, growth in recreation programs, solar permits, and investment earnings.
- In the general fund, revenues exceeded expenditures by \$525,954 before inter-fund transfers.
- At the close of the fiscal year, the fund balance of the general fund totaled \$966,069 of which \$453 is nonspendable, \$2,297 is committed, and \$963,319 is unassigned. State statutes allow a maximum unrestricted fund balance of 25 percent of actual 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 position* presents information on all of the city's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 city's net position changed during the most recent fiscal year. All changes in net position 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, public safety, streets and public works, solid waste and recycling, golf, parks and recreation. The business-type activities of the city include water and sewer, and motor pool.

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 near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 four 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, golf, golf debt service, 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, golf special revenue fund, and the golf debt service fund to demonstrate compliance with the budget.

PROPRIETARY FUNDS

The city maintains two 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 fund. The city uses an internal service fund for its motor pool fund.

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, 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 other *supplementary information* concerning the city.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the city of Cedar Hills, assets and deferred outflows of resources exceed liabilities by \$53,937,369 (net position) at the close of the most recent fiscal year.

The majority of the city's net position (approximately 87.5 percent) represents resources that are invested in capital assets, or are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$4,389,490 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF CEDAR HILL'S Net Position
June 30, 2016 and 2015
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 5,805.4	\$ 5,034.7	\$ 3,379.6	\$ 3,053.5	\$ 9,185.0	\$ 8,088.2	\$ 1,096.8
Capital assets	35,988.9	36,393.1	24,081.5	24,316.4	60,070.4	60,709.5	(639.1)
Total assets	41,794.3	41,427.8	27,461.1	27,369.9	69,255.4	68,797.7	457.7
Total deferred outflows of resources	804.9	666.9	358.1	301.9	1,163.0	968.8	194.2
Other liabilities	660.6	482.2	292.6	282.1	953.2	764.3	188.9
Long-term liabilities outstanding	7,562.4	7,872.0	6,911.4	7,490.3	14,473.8	15,362.3	(888.5)
Total liabilities	8,223.0	8,354.2	7,204.0	7,772.4	15,427.0	16,126.6	(699.6)
Total deferred inflows of resources	1,047.7	1,044.5	26.3	24.3	1,074.0	1,068.8	5.2
Net position:							
Net investment in capital assets	29,479.3	29,460.3	17,693.4	17,308.4	47,172.7	46,768.7	404.0
Restricted	1,748.9	1,811.5	626.3	687.3	2,375.2	2,498.8	(123.6)
Unrestricted	2,120.2	1,424.1	2,269.3	1,879.4	4,389.5	3,303.5	1,086.0
Total net position	<u>\$ 33,348.4</u>	<u>\$ 32,695.9</u>	<u>\$20,589.0</u>	<u>\$19,875.1</u>	<u>\$53,937.4</u>	<u>\$52,571.0</u>	<u>\$ 1,366.4</u>

As of June 30, 2016, the City is able to report positive balances in all three categories of net position for the government as a whole as well as for its separate governmental activities. The overall net position of the government increased by \$1,366,287, because developer's contributions of infrastructure, saving for utility projects, higher than estimated sales taxes, permits, and program revenues related to recreation.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the city's net position by \$652,491, because of an increase in property tax revenues, sales tax revenues, increased charges for services growth related to solar permits and plan check fees, recreation programs, and developer donations of new installed infrastructure. Streets and public works costs increased due to an increase in planned street projects, and contracted services needed for solar inspections and plan reviews.

CITY OF CEDAR HILL'S Changes in Net Position
Years Ended June 30, 2016 and 2015
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program revenues:							
Charges for services	\$ 2,180.0	\$ 2,071.2	\$ 3,552.4	\$ 3,155.8	\$ 5,732.4	\$ 5,227.0	\$ 505.4
Operating grants and contributions	380.7	376.4	-	-	380.7	376.4	4.3
Capital grants and contributions	344.9	47.9	321.1	34.2	666.0	82.1	583.9
General revenues:							
Property taxes	1,152.9	1,106.4	-	-	1,152.9	1,106.4	46.5
Sales taxes	1,248.8	1,213.3	-	-	1,248.8	1,213.3	35.5
Franchise taxes	487.0	474.8	-	-	487.0	474.8	12.2
CARE taxes	43.8	43.6	-	-	43.8	43.6	0.2
Other	167.8	15.2	19.6	9.4	187.4	24.6	162.8
Total revenues	6,005.9	5,348.8	3,893.1	3,199.4	9,899.0	8,548.2	1,350.8
Expenses:							
Governmental activities:							
General government	807.2	838.2	-	-	807.2	838.2	(31.0)
Public safety	1,168.2	1,158.2	-	-	1,168.2	1,158.2	10.0
Parks and recreation	1,827.3	1,733.6	-	-	1,827.3	1,733.6	93.7
Streets and public works	1,070.7	710.5	-	-	1,070.7	710.5	360.2
Solid waste and recycling	350.7	328.1	-	-	350.7	328.1	22.6
Interest on long-term debt	245.3	274.9	-	-	245.3	274.9	(29.6)
Business-type activities:							
Golf	-	-	-	-	-	-	-
Water and sewer	-	-	3,063.2	3,021.2	3,063.2	3,021.2	42.0
Total expenses	5,469.4	5,043.5	3,063.2	3,021.2	8,532.6	8,064.7	467.9
Changes in net position before transfers	536.5	305.3	829.9	178.2	1,366.4	483.5	882.9
Transfers	116.0	118.4	(116.0)	(118.4)	-	-	-
Changes in net position	652.5	423.7	713.9	59.8	1,366.4	483.5	882.9
Net position, beginning, as restated	32,695.9	32,272.2	19,875.1	19,815.3	52,571.0	52,087.5	483.5
Net position, ending	\$ 33,348.4	\$ 32,695.9	\$20,589.0	\$19,875.1	\$53,937.4	\$52,571.0	\$ 1,366.4

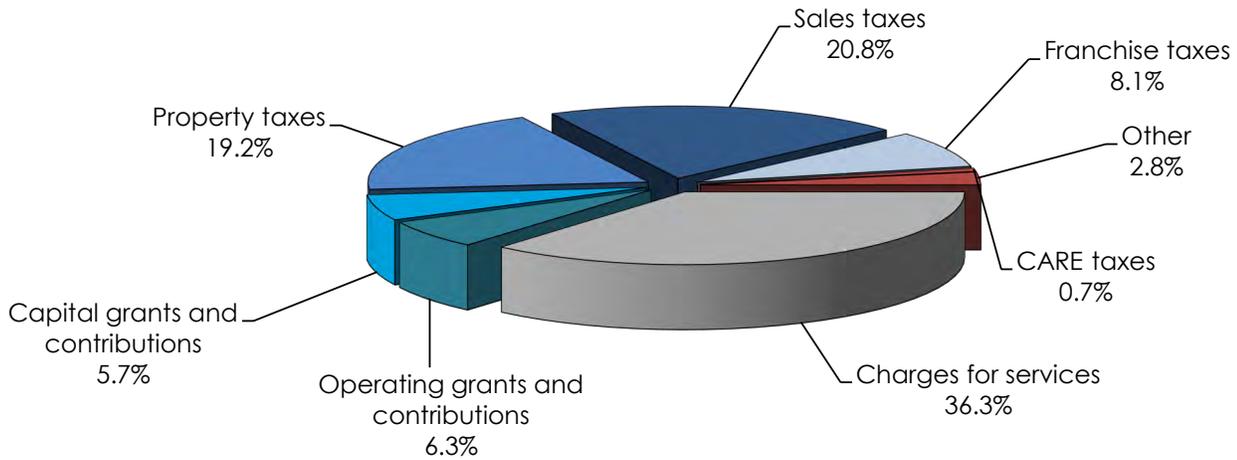
Property taxes revenue for governmental activities increased by \$46,534 from \$1,106,380 in 2015 to \$1,152,914 in 2016. This increase is the result of the property tax levy related to the general obligations increasing due to the lower restricted fund balance used in the current fiscal year to offset the property tax levy. Sales and use tax collections increased by \$35,550 from \$1,213,288 in 2015 to \$1,248,838 in 2016. Sales taxes improved slightly due to Utah's economy, but is leveling off due to lack of population growth. Capital grants and contributions increased because of the amount of developer contributions from the new Lakeshore and Cedar Hills retail subdivisions.

General governmental expenses increased due to higher legal expenses, and every other year election expenses. Public Safety slightly increased due to small contractual increases from American Fork's Police and Lone Peak Fire. Streets and public works expenses increased because more projects were planned, and higher contracted costs from a higher volume of solar permits. Solid waste and recycling increased slightly due to

the city's additional housing units. Interest on debt decreased due to a shift to paying more principal and less interest on the current outstanding bonds, plus refunding the excise tax bonds with lower interest rates.

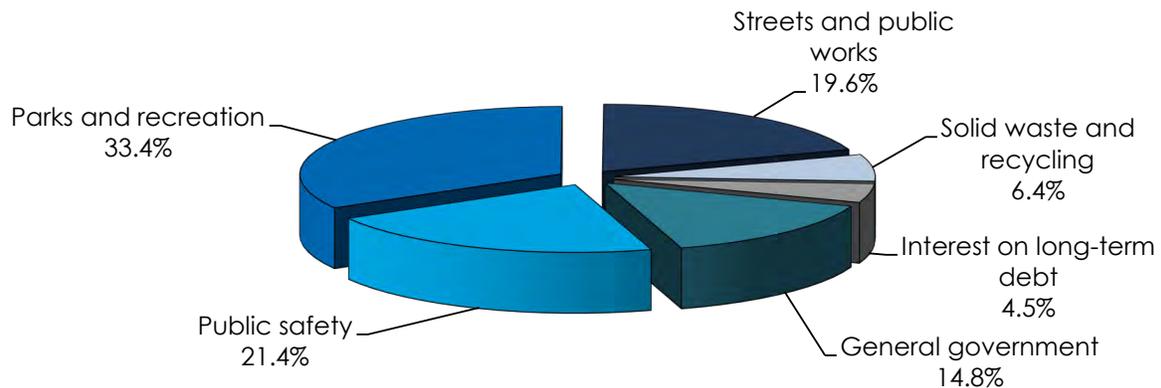
CITY OF CEDAR HILLS

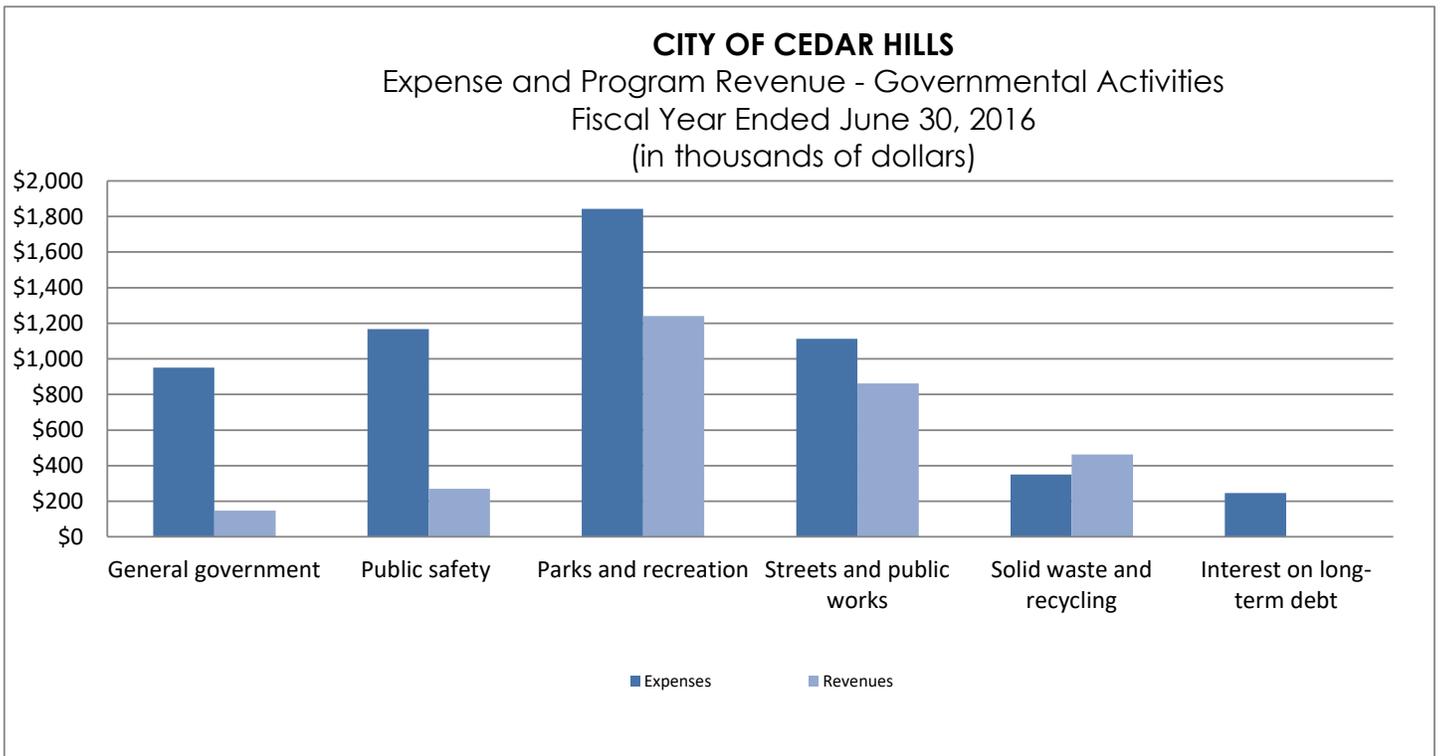
Revenues by Source - Governmental Activities
Fiscal Year Ended June 30, 2016



CITY OF CEDAR HILLS

Expenses by Function - Governmental Activities
Fiscal Year Ended June 30, 2016





BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net position \$713,796 by following the 2012 Bowen, Collins & associates utility study, which recommended annual increases to rates to fund operating and capital maintenance projects without additional debt.

Charges for services increased from \$3,155,808 in 2015 to \$3,552,420 in 2016 due to other income from expiration of note payable, utility rates adjustments to fund long-term water, storm drain, and sewer system repairs and improvements.

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

At the end of the year, the city of Cedar Hills' governmental funds reported combined ending fund balances of \$4,014,461. Approximately 24 percent of this amount, \$963,319 constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has an external restriction, or it has been designated by the governing body 1) \$587,355 to pay for roads, 2) \$2,260,444 to pay for parks and recreation, 3) \$165,752 to pay for debt service, 4) \$453 is for prepaid expenditures, and 5) \$37,138 is golf inventory.

The general fund is the chief operating fund of the city. Including the general fund, there are four governmental funds included in this report, which are all considered major funds—general fund, golf fund, golf debt service fund, and the capital projects fund. At the end of the current year, unassigned fund balance of the general fund was \$963,319. Total fund balance was \$966,069. The City decreased its unrestricted fund balance from approximately 29 percent of actual revenues in 2015 to 22.1 percent of actual revenues in 2016. This decrease in fund balance is due to a transfer out to the capital projects fund to fund projects in the capital improvements plan. The general fund also needed to move under the 25% of actual revenues threshold to be in compliance with the state of Utah's code. The total fund balance for the golf fund, and the capital projects fund grew during the fiscal year from impact fees, transfers, and increased golf revenues. The golf debt service fund's fund balance decreased slightly from lower than anticipated property tax related revenues.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 25 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 position of the respective proprietary funds are water and sewer \$2,243,566, and motor pool fund \$231,980. The water and sewer fund unrestricted net position increased because of the utility rate increases. The city council would like to save up for future water, storm drain, and sewer system repairs and improvements, instead of issuing additional debt.

BUDGETARY HIGHLIGHTS

The difference between the original general fund budget (adopted June 2015) and the final amended budget for expenditures was \$391,000 and for transfers out was \$575,000. The significant changes are summarized as follows:

- \$216,500 increase in general government—mostly due to a \$182,500 increase in legal services, other expenditures that increased include building maintenance related to a sewer line install, election costs increased related to mail-in ballots, and higher utilization of paper/newsletter processing,
- \$125,000 increase in streets and public works—\$45,000 increase in contracted labor for solar permits, and \$80,000 increase for engineering services related to inspection fees for two new developments.
- \$49,500 increase in parks and recreation—\$25,000 increase for park maintenance, a \$15,000 increase to part-time wages related to the growth of recreation programs, a \$9,000 increase in Family festival costs, and \$500 related to youth city council.
- \$575,000 increase in transfers out to the capital projects fund to help fund pending capital improvements like the Bayhill park that cost more than originally anticipated.

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. The golf fund and water & sewer fund also incurred acquisition costs for equipment and improvements.

Major capital asset events during the year included the following:

- \$19,736 Bayhill park engineering plans.
- \$4,250 to complete Cottonwood lots utility improvements.
- \$121,648 for vehicle replacements.
- \$24,088 range ball picker and greens roller.
- \$112,780 for Harvey well motor rebuild.
- \$31,276 for rebuild motor for Cottonwood well.
- \$109,100 various water, storm drain, and sewer improvements and additions.

These expenses do not include approximately \$736,000 in capital maintenance projects related to parks, the golf course, water, pressurized irrigation, water meters, streets, street lights, sidewalks, gutters, and building repairs.

CITY OF CEDAR HILL'S Capital Assets
June 30, 2016 and 2015
 (net of accumulated depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Land	\$ 7,226.7	\$ 7,226.7	\$ -	\$ -	\$ 7,226.7	\$ 7,226.7	\$ -
Water Stock	-	-	3,311.5	3,311.5	3,311.5	3,311.5	-
Construction in progress	-	-	16.9	16.9	16.9	16.9	-
Buildings	4,993.8	5,123.5	-	-	4,993.8	5,123.5	(129.7)
Improvements	8,515.5	8,809.6	-	-	8,515.5	8,809.6	(294.1)
Vehicles	283.6	145.2	-	145.2	283.6	290.4	(6.8)
Equipment	152.0	168.5	-	-	152.0	168.5	(16.5)
Water, sewer, and storm drain systems	-	-	20,753.1	20,842.8	20,753.1	20,842.8	(89.7)
Infrastructure (Roads, Sidewalks)	14,817.3	14,919.6	-	-	14,817.3	14,919.6	(102.3)
Total	<u>\$ 35,988.9</u>	<u>\$ 36,393.1</u>	<u>\$24,081.5</u>	<u>\$24,316.4</u>	<u>\$60,070.4</u>	<u>\$60,709.5</u>	<u>\$ (639.1)</u>

Additional information on the city of Cedar Hills' capital assets can be found in Note 8 to the financial statements.

LONG-TERM DEBT

The city of Cedar Hills has \$5,350,000 of general obligation debt as of June 30, 2016. The city also has utility revenue bonds, an excise tax revenue bonds, and a note payable.

The general obligation bonds were refinanced in December 2012 to save future cash outflows by taking advantage of lower interest rates. The current balance on the 2012 general obligation bonds is \$5,350,000. General obligation indebtedness is limited by Utah law to 12 percent of the fair value of the taxable property in the City—4 percent for general purposes and 8 percent for sewer, water, or lighting.

In October 2014, the city partially refunded the 2006 utility bonds directly through JPMorgan Chase Bank to capture savings with a lower interest rate. The current principal balance on the 2014 utility revenue bonds is \$4,568,000.

The second utility revenue bonds were obtained in 2007 in the amount of \$2,090,000 for the development of a redundant culinary well. The current principal balance of these bonds is \$1,384,000.

The third utility revenue bonds were obtained in 2009 in the amount of \$930,000 for improvements to the pressurized irrigation system. The fixed interest rate was lowered from 5.99% to 3.02% in 2013 as a goodwill gesture by Wells Fargo. The interest savings has been used to pay down the bonds faster. The current principal balance of these bonds is \$663,000. The city paid an extra \$22,000 towards the principal amount during the last fiscal year.

The excise tax revenue bonds were obtained in 2006 in the amount of \$2,325,000 for the construction of a public works/administration facility. The city refunded these bonds in October 2015 to save interest and pay the bonds off faster. The current principal balance of these bonds are \$1,644,000.

CITY OF CEDAR HILL'S Outstanding Debt
June 30, 2016 and 2015
(net of unamortized deferrals, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change 2016-2015
	2016	2015	2016	2015	2016	2015	
General obligation bonds	\$ 5,476.2	\$ 5,710.1	\$ -	\$ -	\$ 5,476.2	\$ 5,710.1	\$ (233.9)
Excise tax revenue bonds	1,644.0	1,825.0	-	-	1,644.0	1,825.0	(181.0)
Utility revenue bonds	-	-	6,615.0	7,009.0	6,615.0	7,009.0	(394.0)
	-	-	-	-	-	-	-
Notes payable	-	-	-	257.7	-	257.7	(257.7)
Total	\$ 7,120.2	\$ 7,535.1	\$ 6,615.0	\$ 7,266.7	\$13,735.2	\$14,801.8	\$ (1,066.6)

Additional information on the city's long-term debt can be found in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The city of Cedar Hills new residential housing is limited, because there is very little land left in the city to develop cost effectively.
- Most of the city's undeveloped land is in the commercial district, and the business growth in the district may improve with the widening of North County Boulevard, which is a major north/south transportation corridor to the interstate freeway for northern Utah County.
- The minimal population growth of the city may slow down sales tax revenue growth experienced statewide the last few years.
- For the 2016-2017 fiscal budget, the estimated general fund revenues and transfers in are \$4,084,654 and the budgeted expenditures and transfers out are \$4,084,654. The revenues are budgeted to be slightly higher overall than last year's original budget because of growth in sales tax revenues, class c roads gas tax revenues, recreation programs, and community event center rentals. Expenditures grew from a new contract for legal services, which estimated at least a 20% increase. Other expenditure increases include street maintenance, public works staffing, part-time staffing for recreation, family festival activities, contract labor increases for inspections and plan checks relating to solar permits. Approximately 3% was budgeted for city staff merit increases. There were also slight benefit cost increases to maintain the same level of benefits for full-time permanent employees.
- The general fund budget includes planned transfers out of \$228,113. \$78,113 to fund 50 percent of the excise tax bond debt service on the public works/administration building. Also, \$116,000 will be transferred out of the general fund to the golf fund as an operating subsidy.
- The most significant capital projects are \$446,224 for Bayhill park, \$200,000 for the golf maintenance building and \$100,000 for related storm drain improvements.
- Other significant capital maintenance budget appropriations include \$355,000 for street, street light, and sidewalk related maintenance/projects in the general fund. And approximately \$276,000 was appropriated for water, storm drain, and sewer maintenance and contracted services in the Water and Sewer fund. \$150,500 was set aside for supplementary water purchases.
- The city council adopted the certified tax rate for the general fund operations, which provides the city the same property tax revenue that was budgeted in the prior year plus an adjustment for new residential and commercial growth. The city adopted the property tax debt levy based on what was needed to fund the general obligation debt in the golf debt service fund utilizing the available fund balance to offset some of the debt service.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



CITY OF CEDAR HILLS

Statement of Net Position June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,614,619	\$ 2,492,409	\$ 5,107,028
Restricted cash and cash equivalents	1,746,472	626,271	2,372,743
Tax receivables	1,059,830	-	1,059,830
Intergovernmental receivables	309,077	-	309,077
Other receivables (net of allowance for uncollectibles)	76,422	235,212	311,634
Internal balances	(25,725)	25,725	-
Inventories and prepaid items	44,605	-	44,605
Capital assets:			
Land, water stock, and construction in progress	7,226,673	3,328,425	10,555,098
Buildings, improvements, equipment, and other depreciable assets, net of accumulated depreciation	28,762,200	20,753,090	49,515,290
Total assets	41,814,173	27,461,132	69,275,305
Deferred Outflows of Resources:			
Deferred outflows of resources related to pensions	194,212	131,287	325,499
Deferred charge on refunding	610,703	226,856	837,559
Total deferred outflows of resources	804,915	358,143	1,163,058
Liabilities:			
Accounts payable	456,412	214,442	670,854
Accrued expenses	127,654	18,535	146,189
Accrued interest	76,514	59,655	136,169
Long-term liabilities:			
Portion due or payable within one year	379,805	412,637	792,442
Portion due or payable after one year	7,182,557	6,498,793	13,681,350
Total liabilities	8,222,942	7,204,062	15,427,004
Deferred Inflows of Resources:			
Deferred inflows of resources related to pensions	39,183	26,280	65,463
Property taxes levied for future year	1,008,527	-	1,008,527
Total deferred inflows of resources	1,047,710	26,280	1,073,990
Net position:			
Net investment in capital assets	29,479,348	17,693,371	47,172,719
Restricted for:			
Debt service	165,752	348,133	513,885
Parks and recreation	995,782	-	995,782
Streets	587,355	-	587,355
Water and sewer improvements	-	270,538	270,538
Other purposes	-	7,600	7,600
Unrestricted	2,120,199	2,269,291	4,389,490
Total net position	\$ 33,348,436	\$ 20,588,933	\$ 53,937,369

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

CITY OF CEDAR HILLS

Statement of Activities

Year Ended June 30, 2016

Activities / Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 807,242	\$ 98,178	\$ -	\$ -	\$ (709,064)		\$ (709,064)
Public safety	1,168,200	184,400	71,454	13,549	(898,797)		(898,797)
Parks and recreation	1,827,222	1,186,748	14,324	40,088	(586,062)		(586,062)
Streets and public works	1,070,747	247,480	294,932	291,295	(237,040)		(237,040)
Solid waste and recycling	350,724	463,175	-	-	112,451		112,451
Interest on long-term debt	245,326	-	-	-	(245,326)		(245,326)
Total governmental activities	5,469,461	2,179,981	380,710	344,932	(2,563,838)		(2,563,838)
Business-type activities:							
Water and sewer	3,063,328	3,552,420	-	321,142	-	810,234	810,234
Total business-type activities	3,063,328	3,552,420	-	321,142	-	810,234	810,234
Total City	\$ 8,532,789	\$ 5,732,401	\$ 380,710	\$ 666,074	(2,563,838)	810,234	(1,753,604)
General revenue:							
Property taxes					1,152,914	-	1,152,914
Sales taxes					1,248,838	-	1,248,838
Franchise taxes					486,996	-	486,996
CARE taxes					43,757	-	43,757
Total taxes					2,932,505	-	2,932,505
Unrestricted investment earnings					46,981	19,594	66,575
Gain on sale of capital assets					120,811	-	120,811
Transfers					116,032	(116,032)	-
Total general revenue and transfers					3,216,329	(96,438)	3,119,891
Changes in net position					652,491	713,796	1,366,287
Net position - beginning					32,695,945	19,875,137	52,571,082
Net position - ending					\$ 33,348,436	\$ 20,588,933	\$ 53,937,369

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

CITY OF CEDAR HILLS

Balance Sheet

Governmental Funds

June 30, 2016

	General	Special Revenue Fund Golf	Golf Debt Service	Capital Projects	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 1,032,870	\$ 233,496	\$ -	\$ 1,120,771	\$ 2,387,137
Restricted cash and cash equivalents	-	-	3,984	1,742,488	1,746,472
Tax receivables	742,851	-	316,979	-	1,059,830
Intergovernmental receivables	301,306	-	-	7,771	309,077
Other receivables (net of allowance for uncollectibles)	76,422	-	-	-	76,422
Prepaid and Inventory items	453	37,138	-	-	37,591
Total assets	<u>\$ 2,153,902</u>	<u>\$ 270,634</u>	<u>\$ 320,963</u>	<u>\$ 2,871,030</u>	<u>\$ 5,616,529</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued expenses	\$ 367,911	\$ 76,830	\$ -	\$ 9,155	\$ 453,896
Accrued salaries, wages, and benefits	21,197	13,688	-	-	34,885
Other payables	92,769	-	-	-	92,769
Total liabilities	481,877	90,518	-	9,155	581,550
DEFERRED INFLOWS OF RESOURCES:					
Unavailable property tax revenues	8,294	-	3,697	-	11,991
Property taxes levied for future year	697,662	-	310,865	-	1,008,527
Total deferred inflows of resources	<u>705,956</u>	<u>-</u>	<u>314,562</u>	<u>-</u>	<u>1,020,518</u>
FUND BALANCES:					
Nonspendable:					
Inventory and prepaid expenditures	453	37,138	-	-	37,591
Restricted for:					
Debt service	-	-	6,401	159,351	165,752
Parks and recreation	-	-	-	995,782	995,782
Streets	-	-	-	587,355	587,355
Committed to:					
Parks and recreation	2,297	-	-	1,119,387	1,121,684
Assigned to:					
Parks and recreation	-	142,978	-	-	142,978
Unassigned	963,319	-	-	-	963,319
Total fund balances	<u>966,069</u>	<u>180,116</u>	<u>6,401</u>	<u>2,861,875</u>	<u>4,014,461</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,153,902</u>	<u>\$ 270,634</u>	<u>\$ 320,963</u>	<u>\$ 2,871,030</u>	<u>\$ 5,616,529</u>

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

CITY OF CEDAR HILLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

Total fund balances for governmental funds		\$ 4,014,461
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 7,226,673	
Construction in progress	-	
Buildings, net of accumulated depreciation of \$1,029,314	4,993,797	
Improvements, net of accumulated depreciation of \$3,501,868	8,515,551	
Equipment, net of accumulated depreciation of \$230,684	64,791	
Infrastructure (roads and sidewalks), net of accumulated depreciation of \$964,280	<u>14,817,334</u>	35,618,146
Property taxes that will be collected after year end, but not available soon enough to pay current period's expenditures, and are therefore reported as deferred inflows.		11,991
Internal service funds are used by the City to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position. Internal service fund net position are:		602,707
Internal balances:		(25,725)
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Accrued interest for long-term debt is:		(76,514)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. All liabilities-net of premiums are reported in the statement of net position.		
General obligation bonds, net of unamortized premiums of \$126,228	(5,476,228)	
Excise tax revenue bonds	(1,644,000)	
Deferred amount on refundings, net of accumulated amortization of \$237,241	610,703	
Net pension liability	(376,524)	
Deferred amount related to pensions	155,029	
Compensated absences payable	<u>(65,610)</u>	<u>(6,796,630)</u>
Total net position of governmental activities		<u><u>\$ 33,348,436</u></u>

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

CITY OF CEDAR HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2016

	General	Special Revenue Fund Golf	Golf Debt Service	Capital Projects	Total Governmental Funds
REVENUES:					
Property taxes	\$ 789,501	\$ -	\$ 351,422	\$ -	\$ 1,140,923
Sales taxes	1,248,838	-	-	-	1,248,838
Franchise taxes	486,996	-	-	-	486,996
CARE taxes	-	-	-	43,757	43,757
Licenses and permits	271,224	-	-	-	271,224
Intergovernmental and grants	366,386	-	-	5,587	371,973
Charges for services	672,927	-	-	-	672,927
Fees	445,996	755,076	-	60,905	1,261,977
Investment earnings	21,663	1,371	153	23,794	46,981
Miscellaneous	49,070	-	-	12,198	61,268
Total revenues	4,352,601	756,447	351,575	146,241	5,606,864
EXPENDITURES:					
Current:					
General government	1,003,621	-	-	-	1,003,621
Public safety	1,168,200	-	-	-	1,168,200
Streets and public works	701,674	-	-	-	701,674
Solid waste and recycling	350,724	-	-	-	350,724
Parks and recreation	602,428	826,646	-	19,736	1,448,810
Debt service:					
Principal	-	-	220,000	75,000	295,000
Interest and fiscal charges	-	-	141,270	73,170	214,440
Capital outlay:					
Streets and public works	-	-	-	4,262	4,262
Parks and recreation	-	24,088	-	-	24,088
Total expenditures	3,826,647	850,734	361,270	172,168	5,210,819
Excess (deficiency) of revenues over (under) expenditures	525,954	(94,287)	(9,695)	(25,927)	396,045
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	5,000	-	-	115,811	120,811
Refunding excise tax revenue bonds issued	-	-	-	1,644,000	1,644,000
Payments to refunded bond escrow agent	-	-	-	(1,826,562)	(1,826,562)
Transfers in	14,500	160,000	-	728,064	902,564
Transfers out	(780,532)	-	-	(6,000)	(786,532)
Total other financing sources (uses)	(761,032)	160,000	-	655,313	54,281
Net change in fund balances	(235,078)	65,713	(9,695)	629,386	450,326
Fund balances - beginning	1,201,147	114,403	16,096	2,232,489	3,564,135
Fund balances - ending	\$ 966,069	\$ 180,116	\$ 6,401	\$ 2,861,875	\$ 4,014,461

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

CITY OF CEDAR HILLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 450,326

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

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

Capital outlays	\$ 290,342	
Depreciation expense	<u>(819,828)</u>	(529,486)

Certain revenues (property taxes) that are collected several months after the City's fiscal year end are not considered as available revenues in the governmental funds and are, instead, counted as deferred revenues. They are however, recorded as revenues in the statement of activities. 11,991

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

Bonds and notes issued	(1,644,000)	
Accrued interest	23,415	
Principal retirement of bonds and obligations under capital leases	295,000	
Payments to refunded bond escrow agent	1,826,562	
Amortization of bond premiums and discounts	13,919	
Amortization of deferred amounts on refundings	<u>(68,220)</u>	446,676

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

Compensated absence obligation		(7,771)
Net pension expense adjustment		29,293

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 251,462

Change in net position of governmental activities \$ 652,491

CITY OF CEDAR HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 780,365	\$ 780,365	\$ 789,501	\$ 9,136
Sales taxes	1,159,000	1,259,000	1,248,838	(10,162)
Other	490,000	477,000	486,996	9,996
Total taxes	2,429,365	2,516,365	2,525,335	8,970
Licenses and permits	97,000	289,000	271,224	(17,776)
Intergovernmental and grants	345,400	345,400	366,386	20,986
Charges for services	965,660	1,068,160	1,118,923	50,763
Investment earnings	4,000	4,000	21,663	17,663
Miscellaneous	31,000	31,000	49,070	18,070
Total revenues	3,872,425	4,253,925	4,352,601	98,676
Expenditures:				
Current:				
General government	897,009	1,113,509	1,003,621	109,888
Public safety	1,171,731	1,171,731	1,168,200	3,531
Streets and public works	692,905	817,905	701,674	116,231
Solid waste and recycling	347,250	347,250	350,724	(3,474)
Parks and recreation	604,498	653,998	602,428	51,570
Total expenditures	3,713,393	4,104,393	3,826,647	277,746
Excess (deficiency) of revenues over (under) expenditures	159,032	149,532	525,954	376,422
Other financing sources(uses):				
Proceeds from sale of capital assets	-	-	5,000	5,000
Transfers in	14,500	14,500	14,500	-
Transfers out	(205,532)	(780,532)	(780,532)	-
Total other financing sources(uses)	(191,032)	(766,032)	(761,032)	5,000
Net change in fund balance	(32,000)	(616,500)	(235,078)	381,422
Fund balances - beginning	1,201,147	1,201,147	1,201,147	-
Fund balances - ending	\$ 1,169,147	\$ 584,647	\$ 966,069	\$ 381,422

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

CITY OF CEDAR HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Golf Special Revenue Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fees	\$ 671,200	\$ 694,200	\$ 755,076	\$ 60,876
Investment Earnings	-	-	1,371	1,371
Miscellaneous	-	2,000	-	(2,000)
Total revenues	<u>671,200</u>	<u>696,200</u>	<u>756,447</u>	<u>60,247</u>
EXPENDITURES				
Parks and recreation	831,200	831,200	826,646	4,554
Capital outlay	-	25,000	24,088	912
Total expenditures	<u>831,200</u>	<u>856,200</u>	<u>850,734</u>	<u>5,466</u>
Excess of revenues over expenditures	(160,000)	(160,000)	(94,287)	65,713
Other financing sources:				
Transfers in	160,000	160,000	160,000	-
Total other financing sources	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net change in fund balance	-	-	65,713	65,713
Fund balance at beginning of year	<u>114,403</u>	<u>114,403</u>	<u>114,403</u>	<u>-</u>
Fund balance at end of year	<u>\$ 114,403</u>	<u>\$ 114,403</u>	<u>\$ 180,116</u>	<u>\$ 65,713</u>

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

CITY OF CEDAR HILLS

Statement of Net Position Proprietary Funds June 30, 2016

	<u>Business-type Activities Enterprise Fund Water & Sewer</u>	<u>Governmental Activities Internal Service Fund Motor Pool</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,492,409	\$ 227,482
Accounts receivable, net of allowance	235,212	-
Prepaid items	-	7,014
Total current assets	<u>2,727,621</u>	<u>234,496</u>
Noncurrent assets:		
Restricted cash and cash equivalents	626,271	-
Capital assets:		
Equipment	-	104,150
Vehicles	-	680,714
Water, sewer, and storm drain systems	29,669,243	-
Construction-in-progress	16,866	-
Accumulated depreciation	(8,916,153)	(414,137)
Water stock	<u>3,311,559</u>	<u>-</u>
Total noncurrent assets	<u>24,707,786</u>	<u>370,727</u>
Total assets	<u>27,435,407</u>	<u>605,223</u>
Deferred Outflows of Resources:		
Deferred outflows of resources relating to pensions	131,287	-
Deferred charge on refunding, net of amortization	<u>226,856</u>	<u>-</u>
Total deferred outflows of resources	<u>358,143</u>	<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	214,442	2,516
Accrued wages payable	18,535	-
Accrued interest payable	59,655	-
Notes payable - current	-	-
Compensated absences	21,637	-
Bonds payable - current	<u>391,000</u>	<u>-</u>
Total current liabilities	705,269	2,516
Noncurrent liabilities:		
Compensated absences	21,637	-
Net pension liability	253,156	-
Notes payable	-	-
Bonds payable, net of premium	<u>6,224,000</u>	<u>-</u>
Total noncurrent liabilities	<u>6,498,793</u>	<u>-</u>
Total liabilities	<u>7,204,062</u>	<u>2,516</u>
Deferred Inflows of Resources:		
Deferred inflows of resources relating to pensions	<u>26,280</u>	<u>-</u>
Total deferred outflows of resources	<u>26,280</u>	<u>-</u>
Net position:		
Net investment in capital assets	17,693,371	370,727
Restricted for capital improvements	270,538	-
Restricted for debt service	348,133	-
Restricted for water shares	7,600	-
Unrestricted	<u>2,243,566</u>	<u>231,980</u>
Total net position	<u>\$ 20,563,208</u>	<u>\$ 602,707</u>
Total net position - enterprise funds	\$ 20,563,208	
An internal charge between the governmental and business-type activities is not recorded at the fund level	25,725	
Total net position - business-type activities	<u>\$ 20,588,933</u>	

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

CITY OF CEDAR HILLS

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended June 30, 2016

	Business Activities Enterprise Fund Water & Sewer	Governmental Activities Internal Service Fund Motor Pool
Operating revenues:		
Charges for services:		
Water & sewer	\$ 3,297,476	\$ -
Motor pool	-	162,484
Miscellaneous	254,944	-
Total operating revenues	<u>3,552,420</u>	<u>162,484</u>
Operating expenses:		
Salaries, wages, and benefits	739,210	-
Materials, supplies and services	1,284,997	60,560
Other operating expenses	8,890	-
URS pension expense allocation	(19,889)	-
Amortization	31,879	-
Depreciation	625,086	91,427
Total operating expenses	<u>2,670,173</u>	<u>151,987</u>
Operating income (loss)	882,247	10,497
Nonoperating revenues (expenses):		
Interest income	19,594	-
Gain (loss) on sale of capital assets	-	41,410
Interest expense and fiscal charges	(193,600)	-
Total nonoperating revenues (expenses)	<u>(174,006)</u>	<u>41,410</u>
Income (loss) before transfers	708,241	51,907
Capital contributions	321,142	-
Transfers in	-	-
Transfers out	(116,032)	-
Changes in net position	913,351	51,907
Total net position - beginning	<u>19,649,857</u>	<u>550,800</u>
Total net position - ending	<u>\$ 20,563,208</u>	<u>\$ 602,707</u>
Change in net position - enterprise funds	\$ 913,351	
The change in internal balances between the governmental activities and the business-type activities relating to internal service funds is not reported at the fund level	<u>(199,555)</u>	
Change in net position of business-type activities	<u>\$ 713,796</u>	

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

CITY OF CEDAR HILLS

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2016

	Business-Type Activities	Governmental Activities
	Water & Sewer	Internal Service Fund Motor Pool
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,281,714	\$ 162,484
Payments to suppliers	(579,653)	(60,304)
Payments to employees	(742,877)	-
Intergovernmental payments	(676,134)	-
Net cash provided by operating activities	1,283,050	102,180
Cash flows from noncapital financing activities:		
Transfers out	(116,032)	-
Net cash used by noncapital financing activities	(116,032)	-
Cash flows from capital and related financing activities:		
Receipts from impact fees	51,532	-
Payments for acquisition of capital assets	(265,763)	(121,647)
Principal paid on capital debt	(396,802)	-
Proceeds from sale of capital assets	-	91,500
Interest paid on capital debt	(198,325)	-
Net cash used by capital and related financing activities	(809,358)	(30,147)
Cash flows from investing activities:		
Interest received	19,594	-
Net change in cash and cash equivalents	377,254	72,033
Cash and cash equivalents - beginning	<u>2,741,426</u>	<u>155,449</u>
Cash and cash equivalents - ending	<u>\$ 3,118,680</u>	<u>\$ 227,482</u>
Displayed on the statement of net position as:		
Pooled cash and investments	\$ 2,492,409	\$ 227,482
Restricted cash and investments	626,271	-
	<u>\$ 3,118,680</u>	<u>\$ 227,482</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 882,247	\$ 10,497
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Miscellaneous revenue	(254,944)	-
URS Pension expense allocation	(19,889)	-
Depreciation expense	625,086	91,427
Amortization expense	31,879	-
Changes in operating assets and liabilities:		
Accounts receivable	(15,762)	-
Prepaid items	11,428	24
Accounts payable	26,672	232
Accrued wages payable	(10,285)	-
Compensated absences payable	6,618	-
Total adjustments	400,803	91,683
Net cash provided by operating activities	\$ 1,283,050	\$ 102,180
Noncash investing, capital, and financing activities:		
Contributions of capital assets	\$ 269,610	\$ -
Expiration of note payable	254,944	-

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

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NOTES TO FINANCIAL STATEMENTS



CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

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. 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.

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 financial activity of the Municipal Building Authority is included as part of the capital projects fund. There were no outstanding lease revenue bonds as of June 30, 2016. No financials are available for the Municipal Building Authority.

Principles Used in Determining Scope of Reporting Entity

The City, for financial purposes, includes all of the funds 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 and Lone Peak Public Safety District are excluded from the accompanying financial statements because they are autonomous and their board of directors are 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.

The Lone Peak Public Safety District was created by the Cities of Highland and Alpine in 1996 to independently provide fire, emergency medical services (EMS), and police services. In 2002, the City of Cedar Hills joined the District as a member of the fire and EMS portions. The District was formed as an interlocal agreement rather than a taxing district. The District is governed by a Board of Public Safety Commissioners composed of two elected or appointed officials from Alpine and Cedar Hills, and three elected or appointed officials from Highland for a total of seven board members. The financial activities of the District are funded by payments from member cities and allocated on a population basis.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

Basis of Presentation

The government-wide financial statements (the Statement of Net Position 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.

Golf Fund

The Golf Fund is used to account for the activity of the golf course. Costs are financed through charges to golf course customers and an operating transfer from the General Fund.

Golf Debt Service Fund

The Golf Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term debt.

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).

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2016

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.

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 Position. The City has presented the following major proprietary fund:

Water and Sewer Fund

The Water and Sewer 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.

Motor Pool Fund

The Motor Pool (internal service) 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 position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measura-

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

ble 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. The City made one exception to the availability policy, because the State legislature withheld the Class C Roads until November 2016 to adjust the distribution formula. Including the final distribution prevented the revenue trend from getting distorted. 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.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days of year-end are reported as deferred inflows of resources until collected. Sales taxes, franchise taxes, class "C" road funds, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 2016. Unused appropriations for all of the annually budgeted funds lapse at the end of the year.

Cash, Cash Equivalents and Investments

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Inventories

Inventories of golf equipment held at the pro shop are valued at cost using the first-in/first-out (FIFO) method and the cost of inventories is recorded as expenditures when consumed rather than when purchased.

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

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2016

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, 2016, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at June 30, 2016 was \$12,598.

In accordance with government accounting standards, a receivable and deferred inflows of resources have been recorded for property taxes levied for the future fiscal year.

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has pension and refunding items that qualify for reporting in this category. Resources related to pension and the deferred charge on refunding are reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has levied property taxes for the future fiscal year and deferred inflows related to pensions, which qualifies for reporting in this category. Accordingly, the unavailable

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

revenues, are reported in the governmental funds balance sheet, and the statement of net position for proprietary funds and the government-wide statements. These levied amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance/Net position

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

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally constrained due to state or federal laws, or externally imposed conditions by grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Unassigned are residual balances in the General Fund. The City first utilizes restricted resources to finance qualifying activities, except for donations raised by the Youth City Council, which are utilized after unrestricted resources assigned for Youth City Council expenditures. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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), a five-member body, appointed by the Governor of the State, which exercises oversight of public deposits and investments. Following are discussions of the City's exposure to various risks related to its cash management activities.

CITY OF CEDAR HILLS

Notes to Financial Statements

June 30, 2016

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, 2016, \$250,000 of the City's bank balances were insured and \$453,229 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As with Deposits, the City's policy for managing custodial credit risk of investments is to adhere to the Money Management Act.

Credit Risk

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

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

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the City has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and "brokered" or securitized certificates of deposit.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2016, the City had the following recurring fair value measurements.

Investments by fair value level	6/30/2016	Fair Value Measurements		
		Level 1	Level 2	Level 3
Moreton Asset Investments				
Agency	\$ 773,422	\$ 773,422	\$ -	\$ -
Corporate	1,036,074	-	1,036,074	-
Currency	7	7	-	-
MM fund	107,046	107,046	-	-
U.S. Gov	102,010	102,010	-	-
Total Moreton Asset Investments	<u>2,018,559</u>	<u>982,485</u>	<u>1,036,074</u>	<u>-</u>
U.S. Bank Trustee Investments				
First American Treasury Obligations	196,410	-	196,410	-
First American Prime Obligations	151,723	-	151,723	-
US Bank Government Money Market	159,351	-	159,351	-
Total U.S. Bank Trustee Investments	<u>507,484</u>	<u>-</u>	<u>507,484</u>	<u>-</u>
PTIF	4,249,238	-	4,249,238	-
Total investments by fair value level	<u>\$6,775,281</u>	<u>\$ 982,485</u>	<u>\$5,792,796</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

For securities that generally have market prices from multiple sources, it can be difficult to select the best individual price, and the best source one day may not be the best source on the following day. The solution is to report a "consensus price" or a weighted average price for each security. Moreton Asset Management receives market prices for these securities from a variety of industry standard data providers (e.g. Bloomberg), security master files from large financial institutions, and other third-party sources. Moreton Asset Management uses these multiple prices as inputs into a distribution-curve based algorithm to determine the daily market value.

- U.S. Treasuries, U.S. Agencies: quoted prices for identical securities in markets that are active.

Debt and equity securities classified in Level 2 are valued using the following approaches. Some securities have a structure that implies a standard expected market price. Examples include a floating-rate note with frequent resets that make it reasonable to expect the price to stay at par or an open ended money market fund expected to maintain a Net Asset Value of \$1 per share. These securities are priced at the expected market price.

- Corporate and Municipal Bonds and Commercial Paper: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

- Utah Public Treasurers' Investment Fund: application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund; and,

The City also invests with Moreton Financial Advisors (Moreton). Moreton invests in money market funds, short and intermediate-term fixed income securities (including taxable, tax-exempt, or tax advantaged). Moreton meets the requirements of the Utah Money Management Act.

As of June 30, 2016, the City's fair value investments in Moreton were \$1,595 more than the amortized cost of \$2,016,964. The City's Moreton investment has been adjusted to show this increase in value. As of June 30, 2016, the City's \$2,018,559 investment with Moreton had a weighted average life of 1.614 years and average final maturity of 2.342 years.

As of June 30, 2016, the City's fair value investments in the PTIF were \$19,276 more than the amortized cost of \$4,229,961. The City's investments have been adjusted to show this increase in value. As of June 30, 2016, the City's \$4,249,237 investment in the PTIF had an average adjusted maturity of less than one year.

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.

Investment Type	Fair Value	Weighted-Average	
		Maturity (Years)	Credit Quality
Moreton Asset Management	\$ 2,018,559	1.614	A
U.S. Bank Trustee Investments			
First American Treasury Obligations	\$ 196,410	0.038	AAA
First American Prime Obligations	\$ 151,723	0.104	A
US Bank Government Money Market	\$ 159,351	N/A	Not rated
PTIF	\$ 4,249,238	0.181	Not rated
Total	<u>\$ 6,775,281</u>		

The City's cash and cash equivalents include \$2,372,743 of restricted cash. The City has \$270,538 restricted for well improvements, \$1,583,137 restricted for impact fees, \$511,468 restricted for debt service, and \$7,600 for other purposes.

NOTE 3 – WATER SHARES

At June 30, 2016, the City had water shares recorded at \$3,311,559. The water shares are stated at cost. Utah State law allows the trading of water shares but precludes the sale or disposition of water shares or rights acquired or otherwise controlled by the City.

NOTE 4 – ACCOUNTS RECEIVABLE

Net accounts receivable of \$235,212 for all proprietary funds includes an allowance for doubtful accounts of

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

\$94,814. The City established an allowance for accounts that may not be collectible due to historical trends. Net accounts receivable of \$76,422 for the governmental funds includes an allowance for doubtful accounts of \$49,863.

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

The City has \$309,077 of intergovernmental receivables at June 30, 2016 in the governmental funds resulting from \$216,125 due in sales tax revenue, \$72,707 due in Class C Road Funds, \$12,474 in telecommunication taxes, and \$7,771 in CARE tax revenue,

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 – INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 14,500	\$ 780,532
Capital Projects Fund	728,064	6,000
Water & Sewer Fund	-	116,032
Golf Fund	160,000	-
Total	<u>\$ 902,564</u>	<u>\$ 902,564</u>

During the year ended June 30, 2016, the City made the following significant transfers: . The following transfers from the General fund to the Capital Projects fund included the following: A transfer out of \$575,000 was set aside to help fund pending projects in the capital improvements plan, like Bayhill park and the golf maintenance building. \$76,532 was used for debt service on the Public Works/Administration building. A transfer out of \$129,000 from the General fund to the Golf fund as an estimated operating subsidy. A transfer out of \$31,000 from the Water & Sewer Fund to the Golf fund was a subsidy related to golf's water & sewer usage. A \$8,500 transfer out of the Water and Sewer fund to the General fund was for a subsidy related to park and open space's water and sewer usage. A transfer out of \$76,532 from the Water & Sewer fund to the Capital Projects fund was used to fund the debt service for the Public Works/Administration building.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 7,226,673	\$ -	\$ -	\$ 7,226,673
Construction in progress	-	-	-	-
Total capital assets not being depreciated	7,226,673	-	-	7,226,673
Capital assets being depreciated:				
Buildings	6,023,111	-	-	6,023,111
Improvements	12,017,419	-	-	12,017,419
Vehicles	334,160	121,648	224,906	680,714
Equipment	700,872	24,088	(325,335)	399,625
Infrastructure	15,515,360	266,254	-	15,781,614
Total capital assets being depreciated	34,590,922	411,990	(100,429)	34,902,483
Accumulated depreciation for:				
Buildings	(899,631)	(129,683)	-	(1,029,314)
Improvements	(3,207,813)	(294,055)	-	(3,501,868)
Vehicles	(188,981)	(78,408)	(129,818)	(397,207)
Equipment	(532,352)	(40,597)	325,335	(247,614)
Infrastructure	(595,768)	(368,512)	-	(964,280)
Total accumulated depreciation	(5,424,545)	(911,255)	195,517	(6,140,283)
Total capital assets being depreciated, net	29,166,377	(499,265)	95,088	28,762,200
Total governmental activity capital assets, net	\$ 36,393,050	\$ (499,265)	\$ 95,088	\$ 35,988,873
Business-type activities				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Water Stock	3,311,559	-	-	3,311,559
Construction in progress	16,866	-	-	16,866
Total capital assets not being depreciated	3,328,425	-	-	\$ 3,328,425
Capital assets being depreciated:				
Buildings	-	-	-	-
Improvements	-	-	-	-
Vehicles	334,160	-	(334,160)	-
Equipment	-	-	-	-
Water, sewer, and storm drain systems	29,133,871	535,372	-	29,669,243
Total capital assets being depreciated	29,468,031	535,372	(334,160)	29,669,243
Accumulated depreciation for:				
Buildings	-	-	-	-
Improvements	-	-	-	-
Vehicles	(188,981)	-	188,981	-
Equipment	-	-	-	-
Water, sewer, and storm drain systems	(8,291,068)	(625,085)	-	(8,916,153)
Total accumulated depreciation	(8,480,049)	(625,085)	188,981	(8,916,153)
Total capital assets being depreciated, net	20,987,982	(89,713)	(145,179)	20,753,090
Total business-type activity capital assets, net	\$ 24,316,407	\$ (89,713)	\$ (145,179)	\$ 24,081,515

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

Governmental activities:	
General government	\$ 62,412
Streets and public works	368,512
Parks and recreation	388,904
Depreciation on capital assets of the City's internal service funds charged to the various functions based on their usage of the assets	91,427
Total depreciation expense - governmental activities	\$ 911,255
Business-type activities:	
Water and sewer	625,085
Total depreciation expense - business-type activities	\$ 625,085

The capital asset internal service fund transactions were previously split approximately 50% between governmental and business-type activities, but the balances and transactions were moved completely to governmental activities during the fiscal year ending June 30, 2016 using the deletions column.

NOTE 9 – LONG-TERM DEBT

The legal general obligation debt limit for the City is \$54,145,164. The City had \$5,350,000 in general obligation debt and \$8,259,000 in other debt at June 30, 2016.

General Obligation Bonds	Governmental	Business-Type
\$5,570,000 General Obligation Refunding Bond, Series 2012 due in annual installments on February 1 of \$230,000 to \$350,000. Interest at 2.00% to 3.00% is due in semi-annual payments on February 1 and August 1, secured by the revenues of the golf course.	\$ 5,350,000	
Total general obligation bonds	\$ 5,350,000	\$ -

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

Utility Revenue Bonds

\$2,090,000 Utility Revenue Bonds, Series 2007 due in annual installments on March 1 of \$99,000 to \$133,000. Interest at 2.71% due in annual installments on March 1, secured by utility revenues.

1,384,000

\$930,000 Utility Revenue Bonds, Series 2009 due in annual installments on March 1 of \$40,000 to \$70,000. Interest at 3.02% due in semi-annual payments on March 1 and September 1.

663,000

\$4,633,000 Utility Revenue Bonds, Series 2014 due in annual installments on March 1 of \$252,000 to \$364,000. Interest at 2.68% due in semi-annual payments on March 1 and September 1.

4,568,000

Excise Tax Revenue Bonds

\$1,644,000 Excise Tax Revenue Bonds, Series 2015 due in annual installments on July 1 of \$68,000 to \$149,000. Interest at 2.37% due in semi-annual payments on January 1 and July 1, secured by the public works building. The 2006 bonds, which were refunded in advance, had \$2,479,338 in outstanding bond payments and \$2,273,019 net of debt service reserve funds. The total debt service for the new bonds is \$1,906,579. The advance refunding reduced three years of debt service, so there are now 12 years remaining and defeased the previous liability. The aggregate difference in debt service is \$342,178. Economic gain from advance refunding is \$208,949.

1,644,000

Total revenue bonds

\$	1,644,000	\$	6,615,000
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Total debt

\$	6,994,000	\$	6,615,000
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CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

Transactions for the year ended June 30, 2016 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Excise tax revenue bonds	\$ 1,825,000	\$ 1,644,000	\$ (1,825,000)	\$ 1,644,000	\$ 117,000
General obligation bonds	5,570,000	-	(220,000)	5,350,000	230,000
Unamortized premiums	140,147	-	(13,919)	126,228	-
Net general obligation bonds	5,710,147	-	(233,919)	5,476,228	230,000
Net pension liability	278,996	97,528	-	376,524	-
Compensated absences	57,839	40,576	(32,805)	65,610	32,805
Total governmental activity long-term liabilities	<u>\$ 7,871,982</u>	<u>\$ 1,782,104</u>	<u>\$ (2,091,724)</u>	<u>\$ 7,562,362</u>	<u>\$ 379,805</u>
Business-type activities:					
Utility revenue bonds	7,009,000	-	(394,000)	6,615,000	391,000
Notes payable	257,746	-	(257,746)	-	-
Net pension liability	186,938	66,218	-	253,156	-
Compensated absences	36,656	28,255	(21,637)	43,274	21,637
Total business-type activity long-term liabilities	<u>\$ 7,490,340</u>	<u>\$ 94,473</u>	<u>\$ (673,383)</u>	<u>\$ 6,911,430</u>	<u>\$ 412,637</u>

Revenue bonds future debt service requirements:

Year Ending June 30,	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	Principal	Interest	Principal	Interest
2017	\$ 117,000	\$ 37,576	\$ 391,000	\$ 179,951
2018	116,000	34,815	397,000	169,307
2019	121,000	32,007	418,000	158,500
2020	125,000	29,092	427,000	147,114
2021	124,000	26,141	442,000	135,485
2022-2026	678,000	84,064	2,402,000	490,314
2027-2031	363,000	11,056	2,138,000	159,599
Total	<u>\$ 1,644,000</u>	<u>\$ 254,751</u>	<u>\$ 6,615,000</u>	<u>\$ 1,440,271</u>

Prior year defeasement of debt. The City defeased 2006 excise tax revenue bonds by placing the proceeds of new bonds and related debt service reserves in an irrevocable trust account to pay all future debt service payments. The related assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2016, \$1.75 million of excise tax bonds outstanding are considered defeased.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

General obligation bonds future debt service requirements:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 230,000	\$ 132,720		
2018	230,000	128,120		
2019	240,000	123,520		
2020	240,000	118,720		
2021	250,000	113,920		
2022-2026	1,335,000	470,200		
2027-2031	1,485,000	322,180		
2032-2035	1,340,000	102,000		
Total	\$ 5,350,000	\$ 1,511,380	\$ -	\$ -

NOTE 10 – NET POSITION

Net position at June 30, 2016 consisted of the following:

	Governmental	Business-Type
Net investment in capital assets		
Net capital assets	\$ 35,988,873	\$ 24,081,515
Less: Outstanding debt issued	(6,509,525)	(6,388,144)
Net investment in capital assets	29,479,348	17,693,371
Restricted for:		
Debt service	165,752	348,133
Parks and recreation	995,782	-
Streets	587,355	-
Water and sewer improvements	-	270,538
Other purposes	-	7,600
Total restricted net position	1,748,889	626,271
Unrestricted net position	2,120,199	2,269,291
Total net position	\$ 33,348,436	\$ 20,588,933

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

NOTE 11 – RETIREMENT PLANS/PENSIONS

The City contributes to the Local Governmental Noncontributory and Contributory Retirement Systems which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). The Tier 2 Contributory Retirement System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the URS, are members of the Tier 2 Retirement Systems. The Systems provide 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.

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

* with actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System	N/A	N/A	16.67%	1.78%
111 - Local Governmental Division				
Noncontributory System	N/A	N/A	18.47%	N/A
15 - Local Governmental Division				

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

The City's contributions to the Noncontributory System for the years ending June 30, 2016, 2015, and 2014 were \$174,603, \$167,592, and \$156,017 respectively. The contributions were equal to the required contributions for each year. The City's contribution to the contributory plan for the year ending June 30, 2016, 2015, and 2014 were \$23,972, \$23,048, and \$15,273 respectively. Contributions in Tier 2 systems are used to finance the unfunded liabilities in the Tier 1 systems.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, we reported a net pension asset of \$59 and a net pension liability of \$629,739.

Utah Retirement Systems (URS)	Proportionate Share	Net Pension Asset	Net Pension Liability
Contributory System	0.0268669%	\$59	\$0
111 - Local Governmental Division Tier 2			
Noncontributory System	0.1112910%	\$0	\$629,739
15 - Local Governmental Division Tier 1			
		Total \$59	\$629,739

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to URS during the plan year over the total of all employer contributions to the URS during the plan year. For the year ended June 30, 2016, we recognized pension expense of \$149,395.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$30,029
Changes in assumptions	\$0	\$35,433
Net difference between projected and actual earnings on pension plan investments	\$214,183	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$13,163	\$0
Contributions subsequent to the measurement date	\$98,152	\$0
Total	\$325,497	\$65,462

\$98,152 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2016	\$37,218
2017	\$37,218
2018	\$37,837
2019	\$50,485
2020	(\$161)
Thereafter	(\$713)

Inflation 2.75 percent

Salary increases 3.50-10.50 percent, average, including inflation

Investment rate of return 7.50 percent, net of pension plan investment expense, including inflation

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on ScaleAA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Return Arithmetic Basis	
		Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pen-

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

sion plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$1,330,575	\$629,739	\$44,681
Tier 2 Public Employees System	\$10,755	(\$59)	(\$8,255)
Total	\$1,341,330	\$629,680	\$36,426

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

NOTE 12 – 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 \$56,860, \$54,451, and \$33,094 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. Employee contributions of \$40,220, \$36,982, and \$20,422 were made to the plan for the years ended June 30, 2016, 2015, and 2014.

Employer contributions were made to the 401(k) plan in the amount of \$2,879, \$2,742, and \$1,746 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. Employee contributions of \$24,915, \$21,239, and \$13,819 were made to the 401(k) plan for the years ended June 30, 2016, 2015, and 2014, respectively.

Employee contributions of \$31,073, \$33,087, and \$22,184 were made to the Roth IRA plan for the years ended June 30, 2016, 2015, and 2014 respectively.

Employee contributions of \$557 were made to the Traditional IRA plan for the year ended June 30, 2014.

CITY OF CEDAR HILLS

Notes to Financial Statements June 30, 2016

NOTE 13 – 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 2016.

On March 8, 2013, the City entered into a 48-month agreement with RMT Equipment and PNC Equipment Finance, LLC to lease 80 electric golf carts for \$6,200 a month. The City paid \$74,400 for lease payments in 2015. The city extended this lease during 2016 by 12 months to cover the cost of replacing batteries in June.

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

<u>Year Ended June 30,</u>	<u>Total</u>	<u>Year Ended June 30,</u>	<u>Total</u>
2017	\$ 180,372	2027-2031	\$ 529,860
2018	155,572	2032-2036	529,860
2019	105,972	2037-2041	529,860
2020	105,972	2042-2046	529,860
2021	105,972	2047	58,235
2022-2026	529,860		
		Total	<u><u>\$ 3,361,395</u></u>

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CEDAR HILLS

Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability Utah Retirement Systems Last Two Fiscal Years

<u>For the year ended December 31,</u>		<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of its covered- employee payroll</u>
Noncontributory Retirement System						
	2014	0.1074806%	\$ 466,706	\$ 902,092	51.70%	90.2%
	2015	0.1112910%	629,739	929,189	67.77%	87.8%
Tier 2 Public Employees Retirement System						
	2014	0.0254699%	(772)	\$ 125,018	-0.60%	103.5%
	2015	0.0268669%	(59)	173,564	-0.03%	100.2%

General Note: Only two years of information were available from URS.

CITY OF CEDAR HILLS

Required Supplementary Information Schedule of Contributions Utah Retirement Systems Last Three Fiscal Years

<u>For the fiscal year ended June 30,</u>	<u>Actuarial Determined Contributions</u>		<u>Contributions in relation to the contractually required contribution</u>		<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
Noncontributory Retirement System							
2014	\$	156,017	\$	156,017	\$ -	\$ 902,353	17.29%
2015		167,592		167,592	-	907,374	18.47%
2016		174,603		174,603	-	945,336	18.47%
Tier 2 Public Employees Retirement System (1)							
2014	\$	15,273	\$	15,273	\$ -	\$ 110,127	13.87%
2015		23,048		23,048	-	154,280	14.94%
2016		23,972		23,972	-	160,768	14.91%

Note(s):

- (1) Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 retirement systems. Tier 2 retirement systems were created effective July 1, 2011.
- (2) Only three years of information were available from Utah Retirement Systems.
- (3) Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administratives.

SUPPLEMENTARY INFORMATION



CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 690,065	\$ 690,065	\$ 693,850	\$ 3,785
Delinquent property taxes	20,000	20,000	19,838	(162)
Penalty & interest on property taxes	300	300	662	362
Motor vehicle taxes	70,000	70,000	75,151	5,151
Sales taxes	1,159,000	1,259,000	1,248,838	(10,162)
Franchise taxes	405,000	405,000	408,537	3,537
Telecom taxes	85,000	72,000	78,459	6,459
Total	2,429,365	2,516,365	2,525,335	8,970
Licenses and permits				
Building permits	40,000	111,000	123,940	12,940
Plan check fees	20,000	61,000	68,677	7,677
Other licenses and permits	37,000	117,000	78,607	(38,393)
Total	97,000	289,000	271,224	(17,776)
Intergovernmental revenue				
Lone Peak Public Safety District rent income	57,300	57,300	58,252	952
Emergency Management Grant	7,500	7,500	7,500	-
Class C Roads allotments	275,000	275,000	294,932	19,932
Liquor fund allotments	5,600	5,600	5,702	102
Total	345,400	345,400	366,386	20,986
Fees				
Garbage fees	390,000	390,000	399,564	9,564
Recycling fees	56,000	56,000	63,611	7,611
Paramedic fees	180,000	180,000	184,400	4,400
Other	10,300	20,300	25,352	5,052
Total	636,300	646,300	672,927	26,627
Recreation and culture revenue				
Family festival income	20,000	32,000	33,434	1,434
Youth City Council	-	500	594	94
Community Arts	-	-	310	310
Recreation programs	95,000	125,000	128,411	3,411
Recreation Classes	15,000	15,000	20,504	5,504
Event center rentals and concessions	195,360	245,360	256,495	11,135
Park Reservations	4,000	4,000	6,248	2,248
Total	329,360	421,860	445,996	24,136
Miscellaneous revenues				
Interest earnings	4,000	4,000	21,663	17,663
Other revenue	31,000	31,000	49,070	18,070
Total	35,000	35,000	70,733	35,733
Total revenues	3,872,425	4,253,925	4,352,601	98,676

(Continued)

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - (Continued) General Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
General government				
Mayor & council	74,500	74,500	66,264	8,236
Administrative operations	273,902	273,902	255,631	18,271
City Recorder	78,067	80,067	76,385	3,682
Finance	169,565	169,565	168,188	1,377
Other materials, supplies, and contracted services	300,975	515,475	437,153	78,322
Total	<u>897,009</u>	<u>1,113,509</u>	<u>1,003,621</u>	<u>109,888</u>
Public safety				
Police department	406,368	406,368	406,432	(64)
Fire department	675,000	675,000	674,017	983
Other	90,363	90,363	87,751	2,612
Total	<u>1,171,731</u>	<u>1,171,731</u>	<u>1,168,200</u>	<u>3,531</u>
Streets and public works				
Building and zoning	116,881	161,881	141,809	20,072
Public works	246,024	326,024	261,987	64,037
Streets	330,000	330,000	297,878	32,122
Total	<u>692,905</u>	<u>817,905</u>	<u>701,674</u>	<u>116,231</u>
Solid waste and recycling				
Solid Waste	295,000	295,000	292,719	2,281
Recycling	50,000	50,000	56,688	(6,688)
Other	2,250	2,250	1,317	933
Total	<u>347,250</u>	<u>347,250</u>	<u>350,724</u>	<u>(3,474)</u>
Parks and recreation				
Parks	178,287	203,287	184,345	18,942
Community services	409,711	434,211	408,258	25,953
Library	16,500	16,500	9,825	6,675
Total	<u>604,498</u>	<u>653,998</u>	<u>602,428</u>	<u>51,570</u>
Total expenditures	<u>3,713,393</u>	<u>4,104,393</u>	<u>3,826,647</u>	<u>277,746</u>
Excess of revenues over expenditures	159,032	149,532	525,954	376,422
Other financing sources(uses)				
Proceeds from sale of capital assets	-	-	5,000	5,000
Transfers in	14,500	14,500	14,500	-
Transfers out	(205,532)	(780,532)	(780,532)	-
Total other financing sources(uses)	<u>(191,032)</u>	<u>(766,032)</u>	<u>(761,032)</u>	<u>5,000</u>
Net change in fund balance	(32,000)	(616,500)	(235,078)	381,422
Fund balance at beginning of year	1,201,147	1,201,147	1,201,147	-
Fund balance at end of year	<u>\$ 1,169,147</u>	<u>\$ 584,647</u>	<u>\$ 966,069</u>	<u>\$ 381,422</u>

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Golf Special Revenue Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fees:				
Green Fees	\$ 555,000	\$ 555,000	\$ 579,553	\$ 24,553
Practice Range	23,000	23,000	29,032	6,032
Pro shop	52,200	52,200	83,086	30,886
Concessions	2,000	10,000	11,258	1,258
Season passes	39,000	54,000	52,147	(1,853)
Investment earnings	-	-	1,371	1,371
Other	-	2,000	-	(2,000)
Total revenues	<u>671,200</u>	<u>696,200</u>	<u>756,447</u>	<u>60,247</u>
EXPENDITURES				
Parks and recreation				
Salaries, wages, and employee benefits	446,380	421,380	409,305	12,075
Materials, supplies, and services	384,820	409,820	417,341	(7,521)
Capital outlay	-	25,000	24,088	912
Total	<u>831,200</u>	<u>856,200</u>	<u>850,734</u>	<u>5,466</u>
Excess of revenues over expenditures	(160,000)	(160,000)	(94,287)	65,713
Other financing sources:				
Transfers in	160,000	160,000	160,000	-
Total other financing sources	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net change in fund balance	-	-	65,713	65,713
Fund balance at beginning of year	<u>114,403</u>	<u>114,403</u>	<u>114,403</u>	<u>-</u>
Fund balance at end of year	<u>\$ 114,403</u>	<u>\$ 114,403</u>	<u>\$ 180,116</u>	<u>\$ 65,713</u>

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Golf Debt Service Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 309,970	\$ 309,970	\$ 305,945	\$ (4,025)
Delinquent property taxes	10,000	10,000	11,682	1,682
Penalty & Interest on property taxes	300	300	295	(5)
Motor vehicle taxes	31,000	31,000	33,500	2,500
Total tax revenues	<u>351,270</u>	<u>351,270</u>	<u>351,422</u>	<u>152</u>
Investment earnings	-	-	153	153
Total revenues	<u>351,270</u>	<u>351,270</u>	<u>351,575</u>	<u>305</u>
EXPENDITURES				
Debt Service:				
Principal	220,000	220,000	220,000	-
Interest	140,420	140,420	140,420	-
Trustee fees	850	850	850	-
Total expenditures	<u>361,270</u>	<u>361,270</u>	<u>361,270</u>	<u>-</u>
Excess of revenues over expenditures	(10,000)	(10,000)	(9,695)	305
Fund balance at beginning of year	<u>16,096</u>	<u>16,096</u>	<u>16,096</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,096</u>	<u>\$ 6,096</u>	<u>\$ 6,401</u>	<u>\$ -</u>

CITY OF CEDAR HILLS

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Capital Projects Fund Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Impact fees:				
Park development	\$ 11,280	\$ 11,280	\$ 34,501	\$ 23,221
Public safety	5,320	5,320	13,549	8,229
Streets	15,623	15,623	12,855	(2,768)
CARE taxes	40,000	40,000	43,757	3,757
Investment earnings	15,000	15,000	23,794	8,794
Grant revenues	5,000	5,000	5,587	587
Other	21,510	21,510	12,198	(9,312)
Total revenues	<u>113,733</u>	<u>113,733</u>	<u>146,241</u>	<u>32,508</u>
EXPENDITURES				
Streets and public works	565,010	565,010	4,262	560,748
Parks and recreation	2,907,000	3,118,224	19,736	3,098,488
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	78,063	78,063	48,115	29,948
Trustee fees and other charges	1,650	25,407	25,055	352
Total expenditures	<u>3,626,723</u>	<u>3,861,704</u>	<u>172,168</u>	<u>3,689,536</u>
Excess (deficiency) of revenues over expenditures	(3,512,990)	(3,747,971)	(25,927)	3,722,044
Other financing sources				
Proceeds from sale of capital assets	-	-	115,811	115,811
Refunding excise tax revenue bonds issued	-	1,644,000	1,644,000	-
Payment to refunded bond escrow agent	-	(1,826,562)	(1,826,562)	-
Transfers in	153,064	728,064	728,064	-
Transfers out	(6,000)	(6,000)	(6,000)	-
Total other financing sources	<u>147,064</u>	<u>539,502</u>	<u>655,313</u>	<u>115,811</u>
Net change in fund balances	(3,365,926)	(3,208,469)	629,386	3,837,855
Fund balance at beginning of year	<u>2,232,489</u>	<u>2,232,489</u>	<u>2,232,489</u>	<u>-</u>
Fund balance at end of year	<u>\$ (1,133,437)</u>	<u>\$ (975,980)</u>	<u>\$ 2,861,875</u>	<u>\$ 3,837,855</u>

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STATISTICAL SECTION



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CITY OF CEDAR HILLS

Net Position By Component

Last Ten Years

(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 10,965,083	\$ 11,244,557	\$ 11,143,031	\$ 10,475,412
Restricted	4,722,479	5,142,430	5,699,688	4,906,151
Unrestricted	1,446,613	1,852,484	1,506,908	2,935,231
Total governmental activities net position	<u>\$ 17,134,175</u>	<u>\$ 18,239,471</u>	<u>\$ 18,349,627</u>	<u>\$ 18,316,794</u>
Business-type activities:				
Net investment in capital assets	\$ 20,452,444	\$ 20,716,646	\$ 21,235,285	\$ 23,270,251
Restricted	853,426	870,032	794,792	1,199,087
Unrestricted	1,559,221	1,411,550	1,747,769	(402,699)
Total business-type activities net position	<u>\$ 22,865,091</u>	<u>\$ 22,998,228</u>	<u>\$ 23,777,846</u>	<u>\$ 24,066,639</u>
Total City:				
Net investment in capital assets	\$ 31,417,527	\$ 31,961,203	\$ 32,378,316	\$ 33,745,663
Restricted	5,575,905	6,012,462	6,494,480	6,105,238
Unrestricted	3,005,834	3,264,034	3,254,677	2,532,532
Total City net position	<u>\$ 39,999,266</u>	<u>\$ 41,237,699</u>	<u>\$ 42,127,473</u>	<u>\$ 42,383,433</u>

Source: City statement of net position at June 30, 2007 through 2016.

Notes: (1) For 2013-2016, the City's golf assets and golf related activities are reported in governmental activities instead of business activities.

(2) For 2015 the city re-evaluated the capitalized amount of roads and sidewalks, and the adjustment changed governmental activities by almost \$12 million.

2011	2012	2013	2014	2015	2016
\$ 10,317,082	\$ 10,666,004	\$ 18,017,027	\$ 17,995,931	\$ 29,460,264	\$ 29,479,348
4,164,309	1,449,079	1,601,342	1,754,107	1,811,582	1,748,889
3,374,792	3,887,521	1,069,322	1,177,319	1,424,099	2,120,199
<u>\$ 17,856,183</u>	<u>\$ 16,002,604</u>	<u>\$ 20,687,691</u>	<u>\$ 20,927,357</u>	<u>\$ 32,695,945</u>	<u>\$ 33,348,436</u>
\$ 23,255,396	\$ 25,597,441	\$ 17,852,968	\$ 17,576,369	\$ 17,308,394	\$ 17,693,371
864,268	652,446	615,784	586,496	687,374	626,271
(219,254)	(548,598)	1,328,300	1,850,787	1,879,369	2,269,291
<u>\$ 23,900,410</u>	<u>\$ 25,701,289</u>	<u>\$ 19,797,052</u>	<u>\$ 20,013,652</u>	<u>\$ 19,875,137</u>	<u>\$ 20,588,933</u>
\$ 33,572,478	\$ 36,263,445	\$ 35,869,995	\$ 35,572,300	\$ 46,768,658	\$ 47,172,719
5,028,577	2,101,525	2,217,126	2,340,603	2,498,956	2,375,160
3,155,538	3,338,923	2,397,622	3,028,106	3,303,468	4,389,490
<u>\$ 41,756,593</u>	<u>\$ 41,703,893</u>	<u>\$ 40,484,743</u>	<u>\$ 40,941,009</u>	<u>\$ 52,571,082</u>	<u>\$ 53,937,369</u>

CITY OF CEDAR HILLS

Changes in Net Position

Last Ten Years

(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses:				
Governmental activities:				
General government	\$ 1,899,991	\$ 2,111,097	\$ 2,179,488	\$ 2,073,764
Public safety	468,442	495,569	580,522	575,232
Parks and recreation	249,365	327,239	466,877	409,000
Streets and public works	-	-	-	-
Solid waste and recycling	-	-	-	-
Interest on long-term debt	135,693	130,145	106,149	107,013
Total governmental activities	<u>2,753,491</u>	<u>3,064,050</u>	<u>3,333,036</u>	<u>3,165,009</u>
Business-type activities:				
Water and sewer	1,964,829	2,025,766	2,157,725	2,511,875
Golf Course	1,146,626	1,252,222	1,217,445	1,238,869
Total business-type activities	<u>3,111,455</u>	<u>3,277,988</u>	<u>3,375,170</u>	<u>3,750,744</u>
Total City expenses	<u>\$ 5,864,946</u>	<u>\$ 6,342,038</u>	<u>\$ 6,708,206</u>	<u>\$ 6,915,753</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 788,189	\$ 637,265	\$ 541,033	\$ 546,041
Public safety	-	-	-	-
Parks and recreation	80,950	50,672	82,324	45,439
Streets and public works	-	-	-	-
Solid waste and recycling	-	-	-	-
Operating grants and contributions	236,967	256,189	229,689	246,682
Capital grants and contributions	520,486	668,005	50,107	164,526
Total governmental activities	<u>1,626,592</u>	<u>1,612,131</u>	<u>903,153</u>	<u>1,002,688</u>
Business-type activities:				
Charges for services:				
Water and sewer	1,618,393	2,016,177	2,050,184	2,383,938
Golf Course	652,176	800,274	750,734	679,970
Capital grants and contributions	289,990	105,175	161,300	62,986
Total business-type activities	<u>2,560,559</u>	<u>2,921,626</u>	<u>2,962,218</u>	<u>3,126,894</u>
Total City program revenues	<u>\$ 4,187,151</u>	<u>\$ 4,533,757</u>	<u>\$ 3,865,371</u>	<u>\$ 4,129,582</u>

2011	2012	2013	2014	2015	2016
\$ 2,191,800	\$ 1,311,205	\$ 1,033,196	\$ 938,806	\$ 838,231	\$ 807,242
775,455	888,591	1,050,218	1,109,591	1,158,157	1,168,200
454,437	495,620	1,941,304	1,721,870	1,733,589	1,827,222
-	785,921	681,059	840,146	710,455	1,070,747
-	258,396	330,845	324,306	328,097	350,724
103,491	104,271	229,323	287,398	274,907	245,326
<u>3,525,183</u>	<u>3,844,004</u>	<u>5,265,945</u>	<u>5,222,117</u>	<u>5,043,436</u>	<u>5,469,461</u>
2,890,749	2,965,490	2,844,998	2,851,845	3,021,152	3,063,328
1,258,176	1,423,647	-	-	-	-
<u>4,148,925</u>	<u>4,389,137</u>	<u>2,844,998</u>	<u>2,851,845</u>	<u>3,021,152</u>	<u>3,063,328</u>
<u>\$ 7,674,108</u>	<u>\$ 8,233,141</u>	<u>\$ 8,110,943</u>	<u>\$ 8,073,962</u>	<u>\$ 8,064,588</u>	<u>\$ 8,532,789</u>
\$ 557,656	\$ 55,225	\$ 81,268	\$ 72,655	\$ 134,131	\$ 98,178
-	184,564	178,920	179,774	182,245	184,400
68,383	172,664	931,638	1,026,940	1,168,713	1,186,748
-	93,972	188,885	126,207	131,933	247,480
-	410,158	415,384	446,711	454,150	463,175
263,084	302,851	335,876	351,394	376,386	380,710
95,999	11,307	138,320	278,679	47,911	344,932
<u>985,122</u>	<u>1,230,741</u>	<u>2,270,291</u>	<u>2,482,360</u>	<u>2,495,468</u>	<u>2,905,623</u>
2,634,734	2,754,599	2,899,399	3,077,340	3,155,808	3,552,420
651,211	704,056	-	-	-	-
22,590	-	-	85,146	34,161	321,142
<u>3,308,535</u>	<u>3,458,655</u>	<u>2,899,399</u>	<u>3,162,486</u>	<u>3,189,969</u>	<u>3,873,562</u>
<u>\$ 4,293,657</u>	<u>\$ 4,689,396</u>	<u>\$ 5,169,690</u>	<u>\$ 5,644,846</u>	<u>\$ 5,685,437</u>	<u>\$ 6,779,185</u>

CITY OF CEDAR HILLS

**Changes in Net Position (Continued)
Last Ten Years**

(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (expense) revenue:				
Governmental activities	\$ (1,126,899)	\$ (1,451,919)	\$ (2,429,883)	\$ (2,162,321)
Business-type activities	(550,896)	(356,362)	(412,952)	(623,850)
Total City net (expense) revenue	<u>\$ (1,677,795)</u>	<u>\$ (1,808,281)</u>	<u>\$ (2,842,835)</u>	<u>\$ (2,786,171)</u>
General Revenues and Other Changes in Net Position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 842,000	\$ 944,820	\$ 939,554	\$ 872,432
Sales taxes	770,586	825,890	825,298	933,049
Franchise taxes	280,527	405,318	432,005	446,750
CARE taxes	-	-	-	-
Investment earnings	399,912	302,636	136,713	42,212
Miscellaneous	37,283	63,086	92,899	36,948
Transfers	152,013	15,465	113,570	-
Total governmental activities	<u>2,482,321</u>	<u>2,557,215</u>	<u>2,540,039</u>	<u>2,331,391</u>
Business-type activities:				
Investment earnings	77,700	118,019	56,454	10,764
Property taxes	385,791	386,945	385,195	385,260
Miscellaneous	(15,818)	-	864,491	21,463
Transfers	(152,013)	(15,465)	(113,570)	-
Total business-type activities	<u>295,660</u>	<u>489,499</u>	<u>1,192,570</u>	<u>417,487</u>
Total City general revenues and other changes in net position	<u>\$ 2,777,981</u>	<u>\$ 3,046,714</u>	<u>\$ 3,732,609</u>	<u>\$ 2,748,878</u>
Changes in Net Position:				
Governmental activities	\$ 1,355,422	\$ 1,105,296	\$ 110,156	\$ 169,070
Business-type activities	(255,236)	133,137	779,618	(206,363)
Total City changes in net position	<u>\$ 1,100,186</u>	<u>\$ 1,238,433</u>	<u>\$ 889,774</u>	<u>\$ (37,293)</u>

Source City of Cedar Hills statements of activities for years ended June 30, 2007 through 2016.

Notes: For 2013-2016, the City's golf related activities were reclassified from business-type activities to governmental activities in the category parks and recreation.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ (2,540,061)	\$ (2,613,263)	\$ (2,995,654)	\$ (2,739,757)	\$ (2,547,968)	\$ (2,563,838)
(840,390)	(930,482)	54,401	310,641	168,817	810,234
<u>\$ (3,380,451)</u>	<u>\$ (3,543,745)</u>	<u>\$ (2,941,253)</u>	<u>\$ (2,429,116)</u>	<u>\$ (2,379,151)</u>	<u>\$ (1,753,604)</u>
\$ 835,359	\$ 870,913	\$ 1,208,155	\$ 1,160,816	\$ 1,106,380	\$ 1,152,914
987,371	1,050,315	1,112,911	1,159,524	1,213,288	1,248,838
471,635	462,371	497,713	503,111	474,814	486,996
-	35,949	38,828	41,154	43,552	43,757
34,844	35,810	22,451	13,314	15,316	46,981
45,286	-	-	-	-	120,811
(295,045)	(2,325,675)	43,850	101,503	118,356	116,032
2,079,450	129,683	2,923,908	2,979,422	2,971,706	3,216,329
6,963	8,823	9,600	7,461	9,351	19,594
398,339	396,862	-	-	-	-
(26,187)	-	-	-	-	-
295,045	2,325,675	(43,850)	(101,503)	(118,356)	(116,032)
674,160	2,731,360	(34,250)	(94,042)	(109,005)	(96,438)
<u>\$ 2,753,610</u>	<u>\$ 2,861,043</u>	<u>\$ 2,889,658</u>	<u>\$ 2,885,380</u>	<u>\$ 2,862,701</u>	<u>\$ 3,119,891</u>
\$ (460,611)	\$ (2,483,580)	\$ (71,746)	\$ 239,665	\$ 423,738	\$ 652,491
(166,230)	1,800,878	20,151	216,599	59,812	713,796
<u>\$ (626,841)</u>	<u>\$ (682,702)</u>	<u>\$ (51,595)</u>	<u>\$ 456,264</u>	<u>\$ 483,550</u>	<u>\$ 1,366,287</u>

CITY OF CEDAR HILLS

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

(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:				
Nonspendable				
Inventory and prepaid	\$ -	\$ -	\$ -	\$ 27,880
Restricted	684,951	832,633	349,505	381,509
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	301,114	523,327	1,114,841	461,547
Total general fund	<u>\$ 986,065</u>	<u>\$ 1,355,960</u>	<u>\$ 1,464,346</u>	<u>\$ 870,936</u>
All other governmental funds:				
Nonspendable				
Inventory and prepaid	\$ -	\$ -	\$ -	\$ -
Restricted	4,792,703	4,819,057	4,517,848	4,524,642
Committed	-	-	-	-
Assigned	1,186,904	1,221,244	1,631,612	2,497,858
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 5,979,607</u>	<u>\$ 6,040,301</u>	<u>\$ 6,149,460</u>	<u>\$ 7,022,500</u>
Total Fund Balances - Government Funds	<u>\$ 6,965,672</u>	<u>\$ 7,396,261</u>	<u>\$ 7,613,806</u>	<u>\$ 7,893,436</u>

Source: City of Cedar Hills balance sheets - governmental funds at December 31, 2007 through 2016.

Notes: For 2013-2016, the City's Golf fund balances were reclassified to governmental funds from enterprise funds.

2011	2012	2013	2014	2015	2016
\$ 21,904	\$ 13,193	\$ 4,328	\$ 612	\$ 3,882	\$ 453
192,957	83,421	73,051	1,074	1,498	-
-	-	-	-	-	2,297
-	-	24,000	-	-	-
709,202	647,847	801,629	1,008,320	1,195,767	963,319
<u>\$ 924,063</u>	<u>\$ 744,461</u>	<u>\$ 903,008</u>	<u>\$ 1,010,006</u>	<u>\$ 1,201,147</u>	<u>\$ 966,069</u>
\$ 12,957	\$ -	\$ 27,373	\$ 34,782	\$ 35,957	\$ 37,138
3,971,352	1,365,658	1,528,291	1,753,033	1,810,084	1,748,889
-	-	-	-	-	1,119,387
2,663,720	2,558,022	358,411	210,944	516,947	142,978
-	-	(63,782)	(12,789)	-	-
<u>\$ 6,648,029</u>	<u>\$ 3,923,680</u>	<u>\$ 1,850,293</u>	<u>\$ 1,985,970</u>	<u>\$ 2,362,988</u>	<u>\$ 3,048,392</u>
<u>\$ 7,572,092</u>	<u>\$ 4,668,141</u>	<u>\$ 2,753,301</u>	<u>\$ 2,995,976</u>	<u>\$ 3,564,135</u>	<u>\$ 4,014,461</u>

CITY OF CEDAR HILLS

Changes in Fund Balances, Governmental Funds Last Ten Years

(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:			
Taxes	\$ 1,893,113	\$ 2,176,028	\$ 2,205,691
Licenses and permits	264,760	153,601	71,116
Intergovernmental	236,967	256,189	229,690
Charges for services	523,429	483,664	469,917
Fees (2)	592,907	718,677	132,431
Investment earnings	399,912	302,636	136,714
Miscellaneous	33,895	45,462	88,817
Total revenues	<u>3,944,983</u>	<u>4,136,257</u>	<u>3,334,376</u>
Expenditures:			
General government	1,435,021	1,470,336	1,626,477
Public Safety	468,442	495,569	558,750
Streets and public works	243,659	268,580	323,803
Solid waste and recycling	-	-	-
Parks and recreation (2)	193,655	260,954	330,697
Capital Outlay	2,968,326	781,646	61,960
Debt Service:			
Principal retirement (2)	82,000	232,000	95,000
Interest and fiscal charges (2)	86,819	126,537	113,823
Total expenditures	<u>5,477,922</u>	<u>3,635,622</u>	<u>3,110,510</u>
Excess of revenues over (under) expenditures	(1,532,939)	500,635	223,866
Other financing sources (uses):			
Proceeds from the sale of capital assets	-	-	-
Refunding bond issued	-	-	-
Premium (discount) on bonds issued	-	-	-
Payment to refund bond escrow agent	-	-	-
Transfers in	502,548	531,906	152,963
Transfers out	(587,062)	(601,952)	(161,248)
Total other financing sources (uses)	<u>(84,514)</u>	<u>(70,046)</u>	<u>(8,285)</u>
Net change in fund balances	<u>\$ (1,617,453)</u>	<u>\$ 430,589</u>	<u>\$ 215,581</u>
Debt service as a percentage of noncapital expenditures	6.59%	12.08%	6.79%

Source: City of Cedar Hills statements of revenues, expenditures, and changes in fund balances - governmental funds for years ending December 31, 2007 through 2016.

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

(2) For 2013-2016, the City's golf operational and debt service activities were reclassified to a special revenue and debt service fund, instead of a business-type activity in an enterprise fund.

2011	2012(1)	2013	2014	2015	2016
\$ 2,294,365	\$ 2,384,551	\$ 2,857,607	\$ 2,864,605	\$ 2,838,034	\$ 2,920,514
70,245	73,247	94,298	157,245	107,277	271,224
263,084	314,159	335,341	342,878	363,695	371,973
487,410	589,552	596,519	628,459	638,910	672,927
158,773	220,218	1,070,494	1,314,135	1,205,339	1,261,977
34,844	35,810	22,451	13,314	15,316	46,981
44,161	33,565	173,639	39,643	100,210	61,268
<u>3,352,882</u>	<u>3,651,102</u>	<u>5,150,349</u>	<u>5,360,279</u>	<u>5,268,781</u>	<u>5,606,864</u>
1,438,114	1,220,417	955,226	853,322	810,407	1,003,621
775,455	888,591	1,050,218	1,109,591	1,158,157	1,168,200
501,945	653,114	531,545	720,469	615,697	701,674
-	258,396	330,845	324,306	328,097	350,724
291,084	346,546	1,423,547	1,291,224	1,359,356	1,448,810
96,182	191,747	285,461	339,837	30,881	28,350
100,000	465,000	280,000	275,000	285,000	295,000
105,147	109,567	233,969	241,283	231,383	214,440
<u>3,307,927</u>	<u>4,133,378</u>	<u>5,090,811</u>	<u>5,155,032</u>	<u>4,818,978</u>	<u>5,210,819</u>
44,955	(482,276)	59,538	205,247	449,803	396,045
-	-	-	-	-	120,811
-	-	5,570,000	-	-	1,644,000
-	-	179,471	-	-	-
-	-	(5,559,871)	-	-	(1,826,562)
171,858	422,303	2,456,058	565,481	611,076	902,564
(538,159)	(2,843,978)	(2,487,208)	(528,053)	(492,720)	(786,532)
<u>(366,301)</u>	<u>(2,421,675)</u>	<u>158,450</u>	<u>37,428</u>	<u>118,356</u>	<u>54,281</u>
<u>\$ (321,346)</u>	<u>\$ (2,903,951)</u>	<u>\$ 217,988</u>	<u>\$ 242,675</u>	<u>\$ 568,159</u>	<u>\$ 450,326</u>
6.28%	14.45%	10.63%	10.64%	10.78%	10.35%

CITY OF CEDAR HILLS

Assessed Value and Actual Value of Taxable Property Last Ten Years

Year Ended June 30,	Primary Residential Property	Secondary or Non-Residential Property	Less: Tax-Exempt Real Property (1)	Total Taxable Assessed Value	Total Taxable Assessed Value as a Percentage of Actual Value	Estimated Total Fair Market Value (2)	Total Direct Rate
2007	\$ 833,417,418	\$ 8,973,736	\$ 372,030,474	\$ 470,360,680	55.64%	\$ 845,398,518	0.002616
2008	831,591,915	13,058,235	370,875,773	473,774,377	55.87%	847,990,739	0.002596
2009	662,907,922	38,606,727	294,452,224	407,062,425	57.71%	705,370,990	0.002768
2010	604,890,929	30,843,787	268,140,320	367,594,396	57.45%	639,795,314	0.002994
2011	571,184,109	32,628,197	252,968,317	350,843,989	57.72%	607,876,838	0.003153
2012	561,236,575	35,213,244	252,556,459	343,893,360	57.66%	596,449,819	0.003183
2013	600,566,864	35,563,641	270,255,089	365,875,416	57.52%	636,130,505	0.002873
2014	679,594,884	39,682,159	305,817,698	413,459,345	57.48%	719,277,043	0.002410
2015	747,083,218	40,313,931	336,187,448	451,209,701	57.30%	787,397,149	0.002315
2016	N/A	N/A	N/A	N/A	N/A	N/A	0.002186

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

- Notes: (1) Statute 59-2-103 states 45% of the value of primary residential property is specifically exempt under the constitution of Utah.
 (2) Estimated actual value of real property is a net market value--property value subject to tax after reductions made for greenbelt, full or part exemptions.

CITY OF CEDAR HILLS

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30 (1)	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage
		Collected	of Levy		Collected (2)	of Levy
2007	\$ 1,230,464	\$ 1,136,774	92.39%	\$ 93,690	\$ 1,230,464	100.00%
2008	1,229,918	1,120,641	91.12%	109,277	1,229,918	100.00%
2009	1,126,749	1,066,756	94.68%	59,993	1,126,749	100.00%
2010	1,100,578	1,047,191	95.15%	53,381	1,100,572	100.00%
2011	1,106,211	1,056,859	95.54%	49,352	1,106,211	100.00%
2012	1,094,613	1,049,661	95.89%	44,427	1,094,089	99.95%
2013	1,052,887	1,002,033	95.17%	49,247	1,051,280	99.85%
2014	947,474	940,148	99.23%	4,953	945,101	99.75%
2015	995,035	989,360	99.43%	-	989,360	99.43%
2016	1,005,624	N/A	N/A	N/A	N/A	N/A

Source(s): County Treasurer Annual Tax Settlement

<http://utahcounty.gov/dept/treas/fiscalreport.html>--Tax Entity - Delinquent Balances by Year

Notes:

- (1) Total tax levy is based on the County's annual settlement report. 2015 settlement numbers were not available at the time this report was finalized.
- (2) Amounts collected to do not include penalties and interest.

CITY OF CEDAR HILLS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City rates:				
General operations	0.001690	0.001690	0.001690	0.001856
Interest and sinking fund	0.000926	0.000906	0.001078	0.001138
	<u>0.002616</u>	<u>0.002596</u>	<u>0.002768</u>	<u>0.002994</u>
Utah County rates:				
General operations	0.000648	0.000632	0.000682	0.000747
Interest and sinking fund	0.000098	0.000082	0.000093	0.000072
Other	0.000097	0.000095	0.000103	0.000289
Assessing and collecting	0.000157	0.000296	0.000325	0.000186
	<u>0.001000</u>	<u>0.001105</u>	<u>0.001203</u>	<u>0.001294</u>
Alpine School district rates:				
Tort liability	0.000022	0.000020	0.000020	0.000023
Recreation	0.000106	0.000100	0.000097	0.000109
Transportation	0.000135	0.000123	0.000122	0.000137
Leeway	0.000400	0.000391	0.000400	0.000400
Other	0.000718	0.000718	0.000743	0.000836
Capital	0.000360	0.000349	0.000368	0.000415
GO bond payments	0.002485	0.002638	0.002758	0.003205
Levy	0.002711	0.002718	0.003033	0.003095
	<u>0.006937</u>	<u>0.007057</u>	<u>0.007541</u>	<u>0.008220</u>
Central Utah Water Conservancy District rate:				
Water conservancy	0.000302	0.000286	0.000400	0.000421
North Utah County Water Conservancy district rate:				
Water conservancy	0.000022	0.000022	0.000022	0.000024
Total direct rate	<u>0.010877</u>	<u>0.011066</u>	<u>0.011934</u>	<u>0.012953</u>

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

2011	2012	2013	2014	2015	2016
0.001957	0.001994	0.001922	0.001703	0.001594	0.001512
0.001196	0.001189	0.000951	0.000707	0.000721	0.000674
0.003153	0.003183	0.002873	0.002410	0.002315	0.002186
0.000793	0.000803	0.000779	0.000714	0.000682	0.000654
0.000045	0.000011	0.000000	0.000000	0.000000	0.000000
0.000305	0.000313	0.000227	0.000202	0.000188	0.000188
0.000199	0.000197	0.000253	0.000233	0.000228	0.000215
0.001342	0.001324	0.001259	0.001149	0.001098	0.001057
0.000025	0.000000	0.000000	0.000000	0.000000	0.000000
0.000117	0.000000	0.000000	0.000000	0.000000	0.000000
0.000148	0.000000	0.000000	0.000000	0.000000	0.000000
0.000431	0.000000	0.000000	0.000000	0.000000	0.000000
0.000494	0.000000	0.000000	0.000000	0.000000	0.000000
0.000850	0.000771	0.000848	0.000759	0.000697	0.000661
0.003437	0.003350	0.003286	0.003188	0.003215	0.002967
0.003310	0.004707	0.004565	0.004149	0.004265	0.004090
0.008812	0.008828	0.008699	0.008096	0.008177	0.007718
0.000436	0.000455	0.000446	0.000422	0.000405	0.000400
0.000026	0.000028	0.000029	0.000025	0.000024	0.000023
0.013769	0.013818	0.013306	0.012102	0.012019	0.011384

CITY OF CEDAR HILLS

Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayers	2016		
	Taxable Value	Rank	Percentage of Total Taxable Values (1)
Wal-Mart	\$ 12,132,000	1	2.7%
The Charleston at Cedar Hills	3,461,865	2	0.8%
Questar Gas	3,442,982	3	0.8%
Lexington Heights Professional Offices	2,058,300	4	0.5%
Pacificorp	1,782,453	5	0.4%
Hart's Gas and Food	1,551,600	6	0.3%
JPMorgan Chase Bank	1,302,900	7	0.3%
McDonald's	1,172,600	8	0.3%
America First Credit Union	691,800	9	0.2%
SLML LLC.	674,900	10	0.1%
Philips Edison	658,800	11	0.1%
Amsource Cedar Hills	633,000	12	0.1%
Cedar Hills - West LLC	-		-
Ellis Holdings	-		-
Deseret Title Holding Corp	-		-
Property Reserve Inc	-		-
Totals	<u>\$ 29,563,200</u>		<u>6.6%</u>

Source(s): Top taxpayers Utah County Treasurer custom report by Cary McConnell. Total proposed tax rate value on tax rate summary report at taxrates.utah.gov.

Notes:

- (1) Percentage of total taxable values equals the taxable value divided by the total taxable value of \$451,209,701.
- (2) Percentage of total taxable values equals the taxable value divided by the total taxable value of \$470,693,905.

2007

Taxable Value	Rank	Percentage of Total Taxable Values (2)
\$ -		-
-		-
834,721	6	0.2%
1,968,900	3	0.4%
1,467,457	4	0.3%
-		-
-		-
-		-
-		-
-		-
-		-
4,178,400	1	0.9%
2,461,685	2	0.5%
1,395,600	5	0.3%
796,800	7	0.2%
<hr/>		<hr/>
\$ 13,103,563		2.8%
<hr/>		<hr/>

CITY OF CEDAR HILLS

**Ratios of Outstanding Debt by Type
Last Ten Years**

Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Excise Tax Revenue Bonds	Lease Revenue Bonds	Capital Lease Obligations	Notes Payable	Utility Revenue Bonds
2007	\$ 6,185,000	\$ 2,467,000	\$ 555,000	\$ 275,226	\$ 378,967	\$ 6,005,000
2008	6,060,000	2,275,000	515,000	259,816	339,961	7,885,000
2009	5,930,000	2,220,000	475,000	308,417	338,300	8,545,000
2010	5,795,000	2,160,000	440,000	406,357	336,133	8,238,000
2011	5,655,000	2,100,000	400,000	289,554	336,133	7,973,000
2012	5,510,000	2,035,000	-	120,651	336,133	7,681,000
2013	6,155,167	1,970,000	-	-	257,746	7,382,000
2014	5,934,793	1,900,000	-	-	257,746	7,068,000
2015	5,710,147	1,825,000	-	-	257,746	7,009,000
2016	5,476,228	1,644,000	-	-	-	6,615,000

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

General Note: For general obligation bonds in 2013-2016 the amortized bond premium is included. No other outstanding bonds have a premium or discount.

Total City	Percentage of Personal Income	Per Capita
\$ 15,236,193	0.0097%	\$ 1,622
16,704,777	0.0105%	1,721
17,186,717	0.0105%	1,756
16,745,490	0.0096%	1,709
16,123,687	0.0076%	1,622
15,682,784	0.0073%	1,559
15,764,913	0.0069%	1,545
15,160,539	0.0066%	1,472
14,801,893	0.0058%	1,442
13,735,228	N/A	N/A

CITY OF CEDAR HILLS

**Ratios of General Bonded Debt Outstanding
Last Ten Years**

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Obligations Bonds Total</u>	<u>Population</u>	<u>G.O. Net Bonded Debt Per Capita</u>
2007	\$ 6,185,000	\$ -	\$ 6,185,000	9,391	\$ 659
2008	6,060,000	-	6,060,000	9,704	624
2009	5,930,000	-	5,930,000	9,788	606
2010	5,795,000	-	5,795,000	9,796	592
2011	5,655,000	-	5,655,000	9,943	569
2012	5,510,000	-	5,510,000	10,059	548
2013	6,155,167	-	6,155,167	10,203	603
2014	5,934,793	42,598	5,892,195	10,299	572
2015	5,710,147	10,857	5,699,290	10,265	555
2016	5,476,228	3,984	5,472,244	N/A	N/A

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

General Note: Golf Debt Service fund for general obligation debt has been in place since 2014.

CITY OF CEDAR HILLS

**Computation of Direct and Overlapping Debt
June 30, 2016**

Entity	2015 Taxable Value (1)	City's Portion of Taxable Value	City's Percentage	Debt Outstanding (2)	City's Portion of Debt
Utah County	\$ 32,066,332,864	\$ 451,209,701	1.407%	\$ 213,115,000	\$ 2,998,770
Alpine School District	20,233,373,995	451,209,701	2.230%	375,435,000	8,372,302
North Utah County Water Conservancy District	11,616,737,506	451,209,701	3.884%	-	-
Central Utah Water Conservancy District	32,066,332,864	451,209,701	1.407%	732,036,820	10,300,589
Total Overlapping Debt (Excluding the State) (3)					<u>\$ 21,671,661</u>
Total Direct Bonded Indebtedness (4)					<u>\$ 7,120,228</u>
Total Direct and Overlapping Debt (Excluding the State)					<u>\$ 28,791,889</u>

Sources: Utah State Tax commission and taxing entities

General Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Cedar Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account.

- Notes:
- (1) Taxable value per Utah State Tax Commission Assessor Report 510-233b List of Final Values
 - (2) Amount of principal debt as of June 30, 2016 per taxing entity's most recent financial statements.
 - (3) The State's debt is not included in overlapping debt because the State currently levies no property tax.
 - (4) Does not include enterprise related debt. City's general obligation and excise tax bond debt net of premiums.

CITY OF CEDAR HILLS

Legal Debt Margin Information Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit (12%)	\$ 56,443,282	\$ 56,852,925	\$ 48,847,491	\$ 44,111,328
Total general obligation debt applicable to the limit	<u>6,185,000</u>	<u>6,060,000</u>	<u>5,930,000</u>	<u>5,795,000</u>
Legal debt margin	<u>\$ 50,258,282</u>	<u>\$ 50,792,925</u>	<u>\$ 42,917,491</u>	<u>\$ 38,316,328</u>
Percentage of net debt contracting margin available	89.04%	89.34%	87.86%	86.86%

Notes:

- (1) The general obligation indebtedness of the City is limited by Utah law to twelve percent of the "reasonable fair cash value" of taxable property in the City. 4% for general purposes and 8% for sewer, water, or lighting.
- (2) Statute 59-2-103 states 45% of the value of primary residential property is specifically exempt under the Constitution of Utah.
- (3) Legal debt margin calculation for 2015 used, since 2016 assessed value not available:

	<u>Taxable Value (2)</u>
Residential values	\$ 747,083,218
Non-residential values	\$ 40,313,931
Exempt property	<u>(336,187,448)</u>
Totals	<u>\$ 451,209,701</u>
Debt limit (adjusted fair market value x 0.12)	\$ 54,145,164
Debt applicable to limit:	
General obligation bonds	<u>5,710,147</u>
Legal debt margin	<u>\$ 48,435,017</u>

2011	2012	2013	2014	2015	2016
\$ 42,101,279	\$ 41,267,203	\$ 43,905,050	\$ 49,615,121	\$ 54,145,164	N/A
5,655,000	5,510,000	6,155,167	5,934,793	5,710,147	5,476,228
<u>\$ 36,446,279</u>	<u>\$ 35,757,203</u>	<u>\$ 37,749,883</u>	<u>\$ 43,680,328</u>	<u>\$ 48,435,017</u>	<u>N/A</u>
86.57%	86.65%	85.98%	88.04%	89.45%	N/A

CITY OF CEDAR HILLS

**Debt Service Schedule of Outstanding Bonds (By Year)
June 30, 2016**

			2017	2018	2019	2020	2021	2022	2023	2024
General Obligations Bonds										
Series 2012	Partially refunded 2005 GO bonds, which was used for	Principal	\$ 230,000	\$ 230,000	\$ 240,000	\$ 240,000	\$ 250,000	\$ 250,000	\$ 260,000	\$ 270,000
\$ 5,570,000	golf course improvements.	Interest	132,720	128,120	123,520	118,720	113,920	106,420	98,920	93,720
	Total		<u>\$ 362,720</u>	<u>\$ 358,120</u>	<u>\$ 363,520</u>	<u>\$ 358,720</u>	<u>\$ 363,920</u>	<u>\$ 356,420</u>	<u>\$ 358,920</u>	<u>\$ 363,720</u>
Excise Tax Revenue Bonds										
Series 2015	Refunded 2006 Excise bonds, which was used to	Principal	\$ 117,000	\$ 116,000	\$ 121,000	\$ 125,000	\$ 124,000	\$ 128,000	\$ 132,000	\$ 136,000
\$ 1,644,000	finance the construction of the	Interest	37,576	34,815	32,007	29,092	26,141	23,155	20,074	16,898
	public works building.		<u>\$ 154,576</u>	<u>\$ 150,815</u>	<u>\$ 153,007</u>	<u>\$ 154,092</u>	<u>\$ 150,141</u>	<u>\$ 151,155</u>	<u>\$ 152,074</u>	<u>\$ 152,898</u>
	Total									
Utility Revenue Bonds										
Series 2007		Principal	\$ 99,000	\$ 102,000	\$ 105,000	\$ 107,000	\$ 110,000	\$ 113,000	\$ 116,000	\$ 120,000
\$ 2,090,000	Used to finance the construction of a new well.	Interest	37,506	34,824	32,059	29,214	26,314	23,333	20,271	17,127
Series 2009		Principal	40,000	40,000	45,000	45,000	50,000	50,000	55,000	55,000
\$ 930,000	Used to finance pressured irrigation improvements.	Interest	20,023	18,815	17,607	16,248	14,889	13,379	11,869	10,208
Series 2014	Partially refunded 2006 utility revenue	Principal	252,000	255,000	268,000	275,000	282,000	288,000	294,000	305,000
\$ 4,633,000	bonds used for water improvements.	Interest	122,422	115,669	108,835	101,652	94,282	86,725	79,006	71,127
	Total principal		391,000	397,000	418,000	427,000	442,000	451,000	465,000	480,000
	Total interest		179,951	169,307	158,500	147,114	135,485	123,436	111,146	98,462
	Total		<u>\$ 570,951</u>	<u>\$ 566,307</u>	<u>\$ 576,500</u>	<u>\$ 574,114</u>	<u>\$ 577,485</u>	<u>\$ 574,436</u>	<u>\$ 576,146</u>	<u>\$ 578,462</u>
Total All Bonds										
	Total principal		\$ 738,000	\$ 743,000	\$ 779,000	\$ 792,000	\$ 816,000	\$ 829,000	\$ 857,000	\$ 886,000
	Total interest		350,247	332,243	314,027	294,926	275,546	253,011	230,140	209,080
	Total all bonds		<u>\$ 1,088,247</u>	<u>\$ 1,075,243</u>	<u>\$ 1,093,027</u>	<u>\$ 1,086,926</u>	<u>\$ 1,091,546</u>	<u>\$ 1,082,011</u>	<u>\$ 1,087,140</u>	<u>\$ 1,095,080</u>

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
\$ 275,000	\$ 280,000	\$ 285,000	\$ 290,000	\$ 295,000	\$ 300,000	\$ 315,000	\$ 320,000	\$ 330,000	\$ 340,000	\$ 350,000	\$ 5,350,000
88,320	82,820	77,220	71,520	65,140	58,650	49,650	40,200	30,600	20,700	10,500	1,511,380
<u>\$ 363,320</u>	<u>\$ 362,820</u>	<u>\$ 362,220</u>	<u>\$ 361,520</u>	<u>\$ 360,140</u>	<u>\$ 358,650</u>	<u>\$ 364,650</u>	<u>\$ 360,200</u>	<u>\$ 360,600</u>	<u>\$ 360,700</u>	<u>\$ 360,500</u>	<u>\$ 6,861,380</u>
\$ 139,000	\$ 143,000	\$ 146,000	\$ 149,000	\$ 68,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,644,000
13,639	10,298	6,873	3,377	806	-	-	-	-	-	-	254,751
<u>\$ 152,639</u>	<u>\$ 153,298</u>	<u>\$ 152,873</u>	<u>\$ 152,377</u>	<u>\$ 68,806</u>	<u>\$ -</u>	<u>\$ 1,898,751</u>					
\$ 123,000	\$ 126,000	\$ 130,000	\$ 133,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,384,000
13,875	10,542	7,127	3,604	-	-	-	-	-	-	-	255,796
60,000	65,000	65,000	70,000	23,000	-	-	-	-	-	-	663,000
8,547	6,735	4,772	2,809	695	-	-	-	-	-	-	146,591
311,000	321,000	325,000	334,000	343,000	351,000	364,000	-	-	-	-	4,568,000
62,953	54,618	46,016	37,306	28,354	19,162	9,755	-	-	-	-	1,037,884
494,000	512,000	520,000	537,000	366,000	351,000	364,000	-	-	-	-	6,615,000
85,375	71,895	57,914	43,718	29,049	19,162	9,755	-	-	-	-	1,440,270
<u>\$ 579,375</u>	<u>\$ 583,895</u>	<u>\$ 577,914</u>	<u>\$ 580,718</u>	<u>\$ 395,049</u>	<u>\$ 370,162</u>	<u>\$ 373,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,055,270</u>
\$ 908,000	\$ 935,000	\$ 951,000	\$ 976,000	\$ 729,000	\$ 651,000	\$ 679,000	\$ 320,000	\$ 330,000	\$ 340,000	\$ 350,000	\$ 13,609,000
187,334	165,013	142,007	118,615	94,995	77,812	59,405	40,200	30,600	20,700	10,500	3,206,402
<u>\$ 1,095,334</u>	<u>\$ 1,100,013</u>	<u>\$ 1,093,007</u>	<u>\$ 1,094,615</u>	<u>\$ 823,995</u>	<u>\$ 728,812</u>	<u>\$ 738,405</u>	<u>\$ 360,200</u>	<u>\$ 360,600</u>	<u>\$ 360,700</u>	<u>\$ 360,500</u>	<u>\$ 16,815,402</u>

CITY OF CEDAR HILLS

**Pledged-Revenue Coverage
Last Ten Years**

Year	Excise Tax Revenue Bonds (1)				Utility Revenue Bonds			
	Franchise Taxes	Debt Service		Coverage	Utility Net Revenues (2)	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2007	\$ 280,527	\$ -	\$ 54,206	5.2	\$ 508,501	\$ 210,000	\$ 253,240	1.10
2008	405,318	50,000	98,563	2.7	806,882	210,000	281,129	1.64
2009	432,005	55,000	96,463	2.9	766,396	270,000	306,189	1.33
2010	446,750	60,000	91,763	2.9	876,755	307,000	350,902	1.33
2011	471,635	60,000	91,763	3.1	763,670	265,000	341,385	1.26
2012	462,371	65,000	89,263	3.0	792,924	292,000	331,884	1.27
2013	497,713	65,000	86,663	3.3	1,044,813	299,000	321,166	1.68
2014	503,111	70,000	83,963	3.3	1,180,343	314,000	290,085	1.95
2015	474,814	75,000	81,063	3.0	987,993	324,000	275,202	1.65
2016	486,996	75,000	48,115	4.0	1,268,879	372,000	189,373	2.26

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

Notes: (1) Only includes excise tax revenue bonds there were outstanding as of June 30, 2016.

(2) Operating revenues minus operating expenses, excluding URS pension expense, depreciation and amortization, equals net revenues available for debt service.

201	,63							
1	5	60,000	91,763	3.1	763,670	265,000	341,385	1.26
201	462							
2	,37	65,000	89,263	3.0	792,924	292,000	331,884	1.27
201	497							
3	,71	65,000	86,663	3.3	1,044,813	299,000	321,166	1.68
201	503							
4	,11	70,000	83,963	3.3	1,180,343	314,000	290,085	1.95
201	474							
	,81							

CITY OF CEDAR HILLS

**Demographic and Economic Statistics
Last Ten Years**

Year	Population (3)	Adjusted Gross Income (amounts in thousands) (5)	Household Median Adjusted Gross Income (1)	District School Enrollment (4)	Unemployment % Rate (2)
2007	9,391	\$165,565,947	\$ 80,819	58,665	2.4
2008	9,704	156,649,517	78,742	61,223	3.5
2009	9,788	159,580,419	74,951	64,351	7.0
2010	9,796	163,864,560	76,545	66,044	7.4
2011	9,943	175,184,399	79,375	68,233	6.3
2012	10,059	212,132,333	79,415	70,811	5.0
2013	10,203	215,469,537	82,828	72,467	4.2
2014	10,299	229,188,419	85,244	73,724	3.5
2015	10,265	255,680,503	87,555	N/A	3.2
2016	N/A	N/A	N/A	N/A	N/A

Sources:

- (1) tax.utah.gov/econstats/income/fed-returns-2000. The Utah State Tax Commission website provides these statistics in an income tax report titled "Federal returns 2000 & newer", Table 13-Summary of Mean and Median AGI by City for Returns and Households.
- (2) Utah County Labor Force, Not Seasonally Adjusted (Annual Average) Data 2007-2015 are revised based on statistical information provided by Utah Department of Workforce Services — www.jobs.utah.gov
- (3) www.census.gov/popest/data/cities/totals/2015/files/SUB-EST2015_49.csv
- (4) Alpine school district--Lauralee Nebeker
- (5) tax.utah.gov/econstats/income/fed-returns-2000. The Utah State Tax Commission website provides these statistics in an income tax report titled "Federal returns 2000 & newer", Table 7-Ranking of Utah Cities by Number of returns, AGI, Net Exemptions, and Federal Taxes

CITY OF CEDAR HILLS

**Principal Employers (2)
Most Current Calendar Year and Four Years Ago**

Employer	Industry	2015		
		Employees	Rank	Percentage of Total County Employment
Brigham Young University	Colleges, Universities, and Professional Schools	15,000 - 19,999	1	5.82% - 7.76%
Alpine School District	Elementary and Secondary Schools	7,000 - 9,999	2	2.72% - 3.88%
Utah Valley Regional Medical Center	General Medical and Surgical Hospitals	5,000 - 6,999	3	1.94% - 2.72%
Utah Valley University	Colleges, Universities, and Professional Schools	3,000 - 3,999	4	1.16% - 1.55%
Nebo School District	Elementary and Secondary Schools	3,000 - 3,999	4	1.16% - 1.55%
Wal-Mart	Other General Merchandise Stores	2,000 - 2,999	6	0.78% - 1.16%
State of Utah	Justice, Public Order, and Safety Activities	2,000 - 2,999	6	0.78% - 1.16%
Vivint	Building Equipment Contractors	2,000 - 2,999	6	0.78% - 1.16%
Bluefin Office Group/Utah Office Supply	Office Supplies	2,000 - 2,999	6	0.78% - 1.16%
Provo School District	Elementary and Secondary Schools	1,000 - 1,999	10	0.39% - 0.78%
IM Flash Technologies	Semiconductor and Other Electronic Component	1,000 - 1,999	10	0.39% - 0.78%
Nexeo Staffing	Employment Services	1,000 - 1,999	10	0.39% - 0.78%
Utah Valley University Foundation	Colleges, Universities, and Professional Schools	1,000 - 1,999	10	0.39% - 0.78%
Pyne Floor Coverings	Building Finishing Contractors	1,000 - 1,999	10	0.39% - 0.78%
Young Living Essential Oils	Direct Selling Establishments	1,000 - 1,999	10	0.39% - 0.78%
Doterra International	Direct Selling Establishments	1,000 - 1,999	10	0.39% - 0.78%
Provo City	Executive, Legislative, and Other General Govern	1,000 - 1,999	10	0.39% - 0.78%
Central Utah Medical Clinic	Offices of Physicians	1,000 - 1,999	10	0.39% - 0.78%
Utah County	Administration of Economic Program	1,000 - 1,999	10	0.39% - 0.78%
Nestle USA	Fruit and Vegetable Preserving and Specialty Foo	1,000 - 1,999	10	0.39% - 0.78%
Adobe Systems Incorporated	Software Publishers	1,000 - 1,999	10	0.39% - 0.78%
United States Government	Federal Government			
Total		53,000 - 80,979		20.58% - 31.44%

Source: Utah Department of Workforce Services--County Annual Profiles--Major Employers.

Notes:

- (1) Information for Utah County was used, since information is not available for the City. 2015 and 2011 statistics were used because the 2016 and prior to 2011 statistics were not available.
- (2) Workforce Services compiled the numbers. Total employed labor force for the County in 2011 was 216,768. Total employed labor force for 2015 was 257,594.

2011		
Employees	Rank	Percentage of Total County Employment
15,000 - 19,999	1	6.92% - 9.23%
5,000 - 6,999	2	2.31% - 3.23%
4,000 - 4,999	3	1.85% - 2.31%
3,000 - 3,999	4	1.38% - 1.84%
3,000 - 3,999	4	1.38% - 1.84%
2,000 - 2,999	7	0.92% - 1.38%
3,000 - 3,999	4	1.38% - 1.84%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
1,000 - 1,999	8	0.46% - 0.92%
<u>43,000 - 62,985</u>		<u>19.84% - 29.06%</u>

CITY OF CEDAR HILLS

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

FUNCTION	Full-Time Equivalent Employees as of June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	7.7	9.2	10.4	10.7	9.7	9.4	8.5	8.5	8.6	8.4
Streets and public works	9.9	8.8	9.1	9.3	9.6	10.4	9.4	9.4	10.0	9.5
Community Services	1.9	0.7	2.3	2.6	2.9	2.8	5.6	4.9	5.5	6.2
Golf	0.7	3.7	7.5	8.5	8.2	9.2	8.5	8.2	7.9	7.7
Total	20.3	22.3	29.4	31.1	30.5	31.9	32.0	31.0	32.0	31.9

Source: Payroll Register Report Hours by Department

CITY OF CEDAR HILLS

Capital Asset Statistics Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Highways and streets:										
Miles of road	26	26	26	26	26	26	26	26	26	26
Recreation:										
Neighbor Pocket Parks	1	1	1	1	1	1	1	1	1	1
Community Parks	4	4	5	5	5	5	5	5	5	5
Golf Course	1	1	1	1	1	1	1	1	1	1
Community Event Center	-	-	-	-	-	1	1	1	1	1

Sources: City of Cedar Hills budget document, UDOT Mileage detail report

CITY OF CEDAR HILLS

Operating Indicators By Organization Last Five Fiscal Years

	2012	2013	2014	2015	2016
Administration:					
Staff trainings held	10	11	11	11	11
Employees receiving performance evaluation	100%	100%	100%	100%	100%
Finance:					
Checks processed	2,168	1,557	1,474	1,354	1,152
Electronic fund transfers processed	66	119	96	174	134
Paper utility statements processed per month	2,187	2,164	2,129	2,081	1,421
Utility customers	2,328	2,385	2,404	2,444	2,472
GFOA Distinguished Budget Presentation Award	Yes	Yes	Yes	Yes	N/A
GFOA Certificate of Achievement in Financial Reporting	No	Yes	Yes	Yes	N/A
General obligation bond rating	AA-	AA-	AA-	AA-	AA-
Public Works:					
Water inspections	15	10	30	15	20
Sewer inspections	15	10	30	17	24
Inspections completed	1,095	590	1,091	619	948
Building permits processed	73	54	65	100	162
Building plans approved	66	50	60	70	154
Meters read electronically	96%	96%	98%	98%	98%
Community Services:					
Jr. Jazz teams	70	84	82	87	96
Flag football teams	31	31	34	33	43
Family festival donations raised	\$14,250	\$17,855	\$19,480	\$17,440	\$ 6,670
Season golf passes sold, or traded for services	\$35,436	\$42,153	\$78,114	\$73,132	\$52,148

Source: City of Cedar Hills budget document and general ledger

ADDITIONAL INFORMATION





Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S 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
Members of the City Council
City of Cedar Hills
Cedar Hills, Utah

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cedar Hills, Utah (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amount. However, providing an opinion on compliance with those provisions was not an objecting 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

Salt Lake City, Utah

December 7, 2016



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH THE
STATE COMPLIANCE AUDIT GUIDE ON
COMPLIANCE WITH GENERAL STATE
COMPLIANCE REQUIREMENTS, AND
INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance with General State Compliance Requirements and for Each Major State Program

We have audited City of Cedar Hills' (the City) compliance with general state requirements described in the *State of Utah Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System
- Restricted Taxes
- Open and Public Meetings Act
- Treasurer's Bond
- Impact Fees

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion

In our opinion, City of Cedar Hills complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the *Schedule of Findings and Recommendations* as items 2016-1. Our Opinion on compliance is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly this report is not suitable for any other purpose.

Keddington & Christensen, LLC

Salt Lake City, Utah

December 7, 2016

**CITY OF CEDAR HILLS
STATE OF UTAH COMPLIANCE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

STATE COMPLIANCE FINDINGS

2016-1. Open and Public Meetings Act – *Significant Deficiency*

Finding

During our testing we noted that the City did not upload city council minutes within three (3) days after the minutes were approved for the two (2) regular council meetings tested. Utah Code Annotated (UCA) section 52-4-203(4)(e) states that a public body shall “within three business days after approving written minutes of an open meeting, post to the [Utah Public Notice website]...a copy of the approved minutes.” Additionally, it was noted that the two (2) work session minutes tested were never approved. UCA 52-4-203(4)(h) states that “a public body shall establish and implement procedures for the public body’s approval of the written minutes of each meeting.”

Recommendation

We recommend that the City implement procedures to ensure that all written minutes of an open meeting be approved by the City council. In addition, we recommend that all minutes be uploaded to the Utah Public Notice website within 3 days after approval as required by the Open and Public Meetings Act.

City Response

We agree that we need to implement new procedures relating to the Open and Public Meetings Act. Some procedures we are adding include documenting when minutes are amended and replaced. Also, documenting when we have issues with uploading minutes to the State’s website. We are still working through other improvements to ensure proper documentation of all future public meetings.