

CITY OF CEDAR HILLS

Financial Statements

June 30, 2011

CITY OF CEDAR HILLS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cedar Hills City, Utah (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

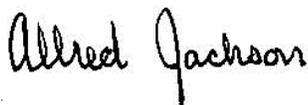
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 7, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results for our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary information on pages 3 through 10 and page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

November 7, 2011

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cedar Hills exceeded the liabilities as of the close of the most recent year by \$41,756,593 (net assets). Of this amount, \$3,155,538 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In the general fund, revenues exceeded expenditures by \$219,560 before inter-fund transfers.
- At the close of the fiscal year, the fund balance of the general fund totaled \$924,064 of which \$21,904 is unspendable, \$192,957 is restricted, and \$709,202 is unassigned. State statutes allow a maximum fund balance of 18 percent of total general fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The *statement of activities* presents information showing how the net assets of the City changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government and administration, public safety, public works, and library. The business-type activities of the City include water and sewer, motor pool, and the City golf course.

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital projects funds, each of which are considered to be major funds.

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

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

PROPRIETARY FUNDS

The City maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, golf course, and motor pool funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, golf course, and motor pool funds which are all considered to be major funds of the City.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedar Hills, assets exceed liabilities by \$41,756,593 (net assets) at the close of the most recent fiscal year.

The majority of the City's net assets (approximately 92 percent) represent resources that are invested in capital assets or are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,155,538 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2011, the City is able to report positive balances in all three categories of net assets for the government as a whole as well as for its separate governmental activities.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2011 Total</u>	<u>2010 Total</u>
Assets				
Current and other assets	\$ 8,513,843	\$ 3,027,083	\$ 11,540,926	\$ 11,902,868
Capital assets	\$ 12,817,082	\$ 37,709,083	\$ 50,526,165	\$ 51,121,153
Total assets	<u>\$ 21,330,924</u>	<u>\$ 40,736,167</u>	<u>\$ 62,067,091</u>	<u>\$ 63,024,021</u>
Liabilities				
Long-term liabilities	\$ 2,395,000	\$ 13,311,651	\$ 15,706,651	\$ 16,417,554
Other liabilities	\$ 1,079,742	\$ 3,524,105	\$ 4,603,847	\$ 4,223,033
Total liabilities	<u>\$ 3,474,742</u>	<u>\$ 16,835,756</u>	<u>\$ 20,310,498</u>	<u>\$ 20,640,587</u>
Net assets				
Invested in capital assets, net of debt	\$ 10,317,082	\$ 23,255,396	\$ 33,572,478	\$ 33,745,663
Restricted	\$ 4,164,309	\$ 864,269	\$ 5,028,578	\$ 6,105,239
Unrestricted	\$ 3,374,792	\$ (219,254)	\$ 3,155,538	\$ 2,532,532
Total net assets	<u>\$ 17,856,182</u>	<u>\$ 23,900,411</u>	<u>\$ 41,756,593</u>	<u>\$ 42,383,434</u>

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City's net assets by \$460,612.

Property tax collections decreased by \$40,764 from \$876,123 in 2010 to \$835,359 in 2011. This small decrease is a result of declining property values and weak economy.

Sales and use tax collections increased by \$54,322 from \$933,049 in 2010 to \$987,371 in 2011. This increase is primarily a result of the emerging commercial district in Cedar Hills.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2011 Total</u>	<u>2010 Total</u>
Revenues				
Charges for services	\$ 626,039	\$ 3,285,945	\$ 3,911,984	\$ 3,655,388
Operating grants & contributions	\$ 263,084	\$ -	\$ 263,084	\$ 246,682
Capital grants & contributions	\$ 95,999	\$ 22,590	\$ 118,589	\$ 227,512
Property tax	\$ 835,359	\$ 398,339	\$ 1,233,698	\$ 1,257,692
Sales tax	\$ 987,371	\$ -	\$ 987,371	\$ 933,049
Franchise tax	\$ 471,635	\$ -	\$ 471,635	\$ 446,750
Interest income	\$ 34,844	\$ 6,963	\$ 41,807	\$ 52,976
Gain (loss) on sale of assets	\$ 6,734	\$ (26,187)	\$ (19,454)	\$ 33,140
Miscellaneous	\$ 38,552	\$ -	\$ 38,552	\$ 25,271
Transfers	\$ (295,045)	\$ 295,045	\$ -	\$ -
Total revenues and transfers	<u>\$ 3,064,571</u>	<u>\$ 3,982,695</u>	<u>\$ 7,047,266</u>	<u>\$ 6,878,460</u>
Expenses				
General government	\$ 2,191,800	\$ -	\$ 2,191,800	\$ 2,073,764
Public safety	\$ 775,455	\$ -	\$ 775,455	\$ 575,232
Parks and recreation	\$ 454,437	\$ -	\$ 454,437	\$ 409,000
Interest on long-term debt	\$ 103,491	\$ -	\$ 103,491	\$ 107,013
Sewer and water	\$ -	\$ 2,890,749	\$ 2,890,749	\$ 2,511,875
Golf course	\$ -	\$ 1,258,176	\$ 1,258,176	\$ 1,238,869
Total expenses	<u>\$ 3,525,183</u>	<u>\$ 4,148,924</u>	<u>\$ 7,674,107</u>	<u>\$ 6,915,753</u>
Change in net assets	\$ (460,612)	\$ (166,229)	\$ (626,841)	\$ (37,290)
Net assets, beginning of year	<u>\$ 18,316,794</u>	<u>\$ 24,066,640</u>	<u>\$ 42,383,434</u>	<u>\$ 42,420,724</u>
Net assets, end of year	<u>\$ 17,856,182</u>	<u>\$ 23,900,411</u>	<u>\$ 41,756,593</u>	<u>\$ 42,383,434</u>

LONG-TERM DEBT

The City of Cedar Hills has \$5,655,000 of general obligation debt as of June 30, 2011. The City also has a lease revenue bond, three utility revenue bonds, an excise tax revenue bond, and six capital leases.

The lease revenue bond was obtained in 1999 in the amount of \$790,000 for the construction of the Public Safety Building which currently serves as the City Hall and the City's Fire Station. The current principal balance on this bond is \$400,000.

The general obligation refunding bond was obtained in 2005 in the amount of \$6,250,000. The original debt was used to construct the City's golf course. The current principal balance on this bond is \$5,655,000.

The first utility revenue bond was obtained in 2006 in the amount of \$6,215,000 to construct the pressurized irrigation system. The current principal balance of this bond is \$5,255,000.

The second utility revenue bond was obtained in 2007 in the amount of \$2,090,000 for the development of a redundant culinary well. The current principal balance of this bond is \$1,843,000.

The third utility revenue bond was obtained in 2009 in the amount of \$930,000 for improvements to the pressurized irrigation system. The current principal balance of this bond is \$875,000.

The excise tax revenue bond was obtained in 2006 in the amount of \$2,325,000 for the construction of a public works facility. The current principal balance of this bond is \$2,100,000.

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

BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the City's net assets by \$166,229.

Several utility rate changes occurred at the beginning of fiscal year 2011. The sewer base rate increased by \$2.85 per month, and sewer usage increased by 60 cents per thousand gallons. In addition, the storm drain fee increased by 50 cents. Golf course charges for services decreased by \$28,759.

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

At the end of the year, the City of Cedar Hills' governmental fund reported combined ending fund balances of \$7,572,092. Approximately 9 percent of this amount, \$709,202, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is unspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been committed or spent 1) \$121,017 to pay for roads, 2) \$6,347,295 to pay for capital projects, 3) \$359,717 to pay for debt service, and 4) \$34,861 to prepay for future expenses.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$709,202. Total fund balance was \$924,064. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents approximately 31 percent of the total general fund expenditures.

PROPRIETARY FUNDS

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

Unrestricted net assets of the respective proprietary funds are Water and Sewer \$1,257,597, Golf Course (\$1,535,459), and Motor Pool Fund \$117,216.

BUDGETARY HIGHLIGHTS

The difference between the original general fund budget (adopted June 2010) and the final general fund amended budget was \$62,400. This may be summarized as follows:

- \$22,400 increase in General Government
- \$20,000 increase in Public Safety
- \$20,000 increase in Parks and Recreation

CAPITAL ASSETS

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

Major capital asset events during the year included the following:

- \$27,769 to finish the basement of the Public Works Building
- \$45,095 for a geographic information system (GIS)
- \$67,893 to purchase vehicles
- \$21,180 to purchase water shares
- \$200,000 for a canal enclosure project
- \$25,820 to purchase golf course equipment
- \$371,726 to begin construction of the Community Recreation Center

Capital Assets	Governmental Activities	Business-Type Activities	2011 Total	2010 Total
Land	\$ 3,416,650	\$ 3,810,023	\$ 7,226,673	\$ 7,226,673
Buildings	\$ 2,798,902	\$ -	\$ 2,798,902	\$ 2,771,133
Equipment	\$ 34,558	\$ -	\$ 34,558	\$ 34,558
Parks	\$ 4,080,243	\$ -	\$ 4,080,243	\$ 4,080,243
Golf course improvements	\$ -	\$ 9,046,700	\$ 9,046,700	\$ 8,816,773
Infrastructure	\$ 3,874,517	\$ -	\$ 3,874,517	\$ 3,863,243
Water improvements	\$ -	\$ 18,968,442	\$ 18,968,442	\$ 19,041,102
Sewer improvements	\$ -	\$ 6,668,419	\$ 6,668,419	\$ 6,454,837
Storm drain improvements	\$ -	\$ 3,126,368	\$ 3,126,368	\$ 3,115,094
Vehicles	\$ 260,583	\$ 260,583	\$ 521,166	\$ 489,363
Accumulated depreciation	\$ (1,721,120)	\$ (7,719,764)	\$ (9,440,884)	\$ (8,386,927)
Water stock	\$ -	\$ 3,311,559	\$ 3,311,559	\$ 3,290,379
Bond costs, net	\$ 72,749	\$ 236,753	\$ 309,502	\$ 324,681
Total	\$ 12,817,082	\$ 37,709,083	\$ 50,526,165	\$ 51,121,153

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

LONG-TERM DEBT

At the end of the current year, the City had total bonded debt outstanding of \$16,128,000 and capital leases totaling \$289,554 for total long-term debt outstanding of \$16,417,554. Refer to long-term debt notes for information on how the debt is secured.

Outstanding Debt	Governmental Activities	Business-Type Activities	2011 Total	2010 Total
Revenue bonds	\$ 2,500,000	\$ 7,973,000	\$ 10,473,000	\$ 10,838,000
General obligation bonds	\$ -	\$ 5,655,000	\$ 5,655,000	\$ 5,795,000
Capital leases	\$ -	\$ 289,554	\$ 289,554	\$ 406,357
Total	\$ 2,500,000	\$ 13,917,554	\$ 16,417,554	\$ 17,039,357

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total fair market value of taxable property in the City. The current general obligation debt limitation for the City is \$29,407,552. The City of Cedar Hills has \$5,655,000 in general obligation debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Cedar Hills will experience a decrease in new homes. Consequently, growth related revenues will be significantly less than previous years.
- Economic hardships may influence sales tax revenue generated statewide.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of The City of Cedar Hills' finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Cedar Hills, City Manager, 3925 West Cedar Hills Drive, Cedar Hills, Utah 84062.

FINANCIAL STATEMENTS

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

- Government-wide financial statements

- Fund financial statements

 - Governmental funds

 - Proprietary (enterprise) funds

CITY OF CEDAR HILLS
Government-wide Statement of Net Assets
June 30, 2011
With Comparative Totals for June 30, 2010

ASSETS	Primary Government			2010
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$ 3,300,128	\$ 1,299,302	\$ 4,599,431	\$ 3,958,625
Receivables (net of allowance)				
Accounts	\$ -	\$ 411,604	\$ 411,604	\$ 374,490
Intergovernmental	\$ 245,707	\$ -	\$ 245,707	\$ 241,738
Property taxes	\$ 664,068	\$ 385,008	\$ 1,049,076	\$ 1,039,539
Garbage billings	\$ 45,823	\$ -	\$ 45,823	\$ 40,706
Other	\$ 58,946	\$ -	\$ 58,946	\$ 36,178
Prepaid expense	\$ 34,861	\$ 37,439	\$ 72,300	\$ 54,822
Inventory	\$ -	\$ 29,461	\$ 29,461	\$ 51,531
Restricted cash and cash equivalents	\$ 4,164,309	\$ 864,269	\$ 5,028,578	\$ 6,105,239
Capital assets				
Land	\$ 3,416,650	\$ 3,810,023	\$ 7,226,673	\$ 7,226,673
Buildings	\$ 2,798,902	\$ -	\$ 2,798,902	\$ 2,771,133
Equipment	\$ 34,558	\$ -	\$ 34,558	\$ 34,558
Parks	\$ 4,080,243	\$ -	\$ 4,080,243	\$ 4,080,243
Golf course improvements	\$ -	\$ 9,046,700	\$ 9,046,700	\$ 8,816,773
Infrastructure	\$ 3,874,517	\$ -	\$ 3,874,517	\$ 3,863,243
Water improvements	\$ -	\$ 18,968,442	\$ 18,968,442	\$ 19,041,102
Sewer improvements	\$ -	\$ 6,668,419	\$ 6,668,419	\$ 6,454,837
Storm drain improvements	\$ -	\$ 3,126,368	\$ 3,126,368	\$ 3,115,094
Vehicles	\$ 260,583	\$ 260,583	\$ 521,166	\$ 489,363
Accumulated depreciation	\$ (1,721,120)	\$ (7,719,764)	\$ (9,440,884)	\$ (8,386,927)
Water stock	\$ -	\$ 3,311,559	\$ 3,311,559	\$ 3,290,379
Bond costs, net	\$ 72,749	\$ 236,753	\$ 309,502	\$ 324,681
Total assets	\$ 21,330,924	\$ 40,736,167	\$ 62,067,091	\$ 63,024,021

See accompanying notes to financial statements.

CITY OF CEDAR HILLS
Government-wide Statement of Net Assets
June 30, 2011
With Comparative Totals for June 30, 2010

	Primary Government			2010
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Outstanding checks in excess of deposits	\$ -	\$ 1,700,970	\$ 1,700,970	\$ 1,674,450
Accounts payable and accrued expenses	\$ 167,206	\$ 385,448	\$ 552,654	\$ 356,291
Accrued salaries, wages, and benefits	\$ 65,102	\$ 83,987	\$ 149,090	\$ 131,378
Accrued interest payable	\$ 49,844	\$ 211,663	\$ 261,507	\$ 295,273
Other payables	\$ 62,589	\$ -	\$ 62,589	\$ 175,367
Unearned revenue	\$ -	\$ -	\$ -	\$ 3,998
Deferred property tax revenue	\$ 630,000	\$ -	\$ 630,000	\$ 628,340
Development agreements payable	\$ -	\$ 336,133	\$ 336,133	\$ 336,133
Contingent liabilities	\$ -	\$ 200,000	\$ 200,000	\$ -
Noncurrent liabilities				
Due within one year	\$ 105,000	\$ 605,903	\$ 710,903	\$ 621,803
Due in more than one year	\$ 2,395,000	\$ 13,311,651	\$ 15,706,651	\$ 16,417,554
Total liabilities	<u>\$ 3,474,742</u>	<u>\$ 16,835,756</u>	<u>\$ 20,310,498</u>	<u>\$ 20,640,587</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 10,317,082	\$ 23,255,396	\$ 33,572,478	\$ 33,745,663
Restricted for				
Capital projects	\$ 3,683,575	\$ 481,815	\$ 4,165,390	\$ 5,153,186
Class C Roads	\$ 121,017	\$ -	\$ 121,017	\$ 343,053
Debt Service	\$ 359,717	\$ 382,453	\$ 742,170	\$ 609,000
Unrestricted	<u>\$ 3,374,792</u>	<u>\$ (219,254)</u>	<u>\$ 3,155,538</u>	<u>\$ 2,532,532</u>
Total net assets	<u>\$ 17,856,182</u>	<u>\$ 23,900,411</u>	<u>\$ 41,756,593</u>	<u>\$ 42,383,434</u>

See accompanying notes to financial statements.

CITY OF CEDAR HILLS
Government-wide Statement of Activities
For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

PROGRAM ACTIVITIES	Expenses	Program Revenues		
		Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Governmental activities				
General government	\$ 2,191,800	\$ 557,656	\$ 257,351	\$ 13,140
Public safety	\$ 775,455	\$ -	\$ 5,733	\$ 5,370
Parks and recreation	\$ 454,437	\$ 68,383	\$ -	\$ 77,489
Interest on long-term debt	\$ 103,491	\$ -	\$ -	\$ -
Total governmental activities	<u>\$ 3,525,183</u>	<u>\$ 626,039</u>	<u>\$ 263,084</u>	<u>\$ 95,999</u>
Business-type activities				
Sewer and water	\$ 2,890,749	\$ 2,634,734	\$ -	\$ 22,590
Golf course	\$ 1,258,176	\$ 651,211	\$ -	\$ -
Total business-type activities	<u>\$ 4,148,924</u>	<u>\$ 3,285,945</u>	<u>\$ -</u>	<u>\$ 22,590</u>
Total government	<u>\$ 7,674,107</u>	<u>\$ 3,911,984</u>	<u>\$ 263,084</u>	<u>\$ 118,589</u>

See accompanying notes to financial statements.

CITY OF CEDAR HILLS
Government-wide Statement of Activities (Continued)
For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

PROGRAM ACTIVITIES	Net (Expenses) Revenues and Changes in Net Assets			2010
	Governmental Activities	Business-type Activities	Total	
Governmental activities				
General government	\$ (1,363,653)	\$ -	\$ (1,363,653)	\$ (1,210,222)
Public safety	\$ (764,352)	\$ -	\$ (764,352)	\$ (559,571)
Parks and recreation	\$ (308,565)	\$ -	\$ (308,565)	\$ (285,514)
Interest on long-term debt	\$ (103,491)	\$ -	\$ (103,491)	\$ (107,013)
Total governmental activities	\$ (2,540,061)	\$ -	\$ (2,540,061)	\$ (2,162,320)
Business-type activities				
Sewer and water	\$ -	\$ (233,424)	\$ (233,424)	\$ (64,950)
Golf course	\$ -	\$ (606,965)	\$ (606,965)	\$ (558,899)
Total business-type activities	\$ -	\$ (840,389)	\$ (840,389)	\$ (623,850)
Total government	\$ (2,540,061)	\$ (840,389)	\$ (3,380,450)	\$ (2,786,170)
General revenues				
Taxes				
Ad valorem	\$ 835,359	\$ 398,339	\$ 1,233,698	\$ 1,257,692
Sales	\$ 987,371	\$ -	\$ 987,371	\$ 933,049
Franchise	\$ 471,635	\$ -	\$ 471,635	\$ 446,750
Interest income	\$ 34,844	\$ 6,963	\$ 41,807	\$ 52,976
Gain (loss) on sale of capital assets	\$ 6,734	\$ (26,187)	\$ (19,454)	\$ 33,140
Miscellaneous	\$ 38,552	\$ -	\$ 38,552	\$ 25,271
Transfers	\$ (295,045)	\$ 295,045	\$ -	\$ -
Total general revenues and transfers	\$ 2,079,449	\$ 674,160	\$ 2,753,609	\$ 2,748,879
Change in net assets	\$ (460,612)	\$ (166,229)	\$ (626,841)	\$ (37,290)
Net assets at beginning of year	\$ 18,316,794	\$ 24,066,640	\$ 42,383,434	\$ 42,420,724
Net assets at end of year	\$ 17,856,182	\$ 23,900,411	\$ 41,756,593	\$ 42,383,434

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	General	Capital Projects	Total	2010
Cash and cash equivalents	\$ 544,170	\$ 2,692,742	\$ 3,236,911	\$ 2,930,839
Receivables				
Intergovernmental	\$ 245,707	\$ -	\$ 245,707	\$ 241,738
Garbage billings (net)	\$ 45,823	\$ -	\$ 45,823	\$ 40,706
Property taxes	\$ 664,068	\$ -	\$ 664,068	\$ 654,279
Other (net)	\$ 58,233	\$ 714	\$ 58,946	\$ 36,178
Prepaid expense	\$ 21,904	\$ 12,957	\$ 34,861	\$ 27,880
Restricted cash and cash equivalents	\$ 192,957	\$ 3,971,352	\$ 4,164,309	\$ 4,906,151
Total assets	\$ 1,772,861	\$ 6,677,764	\$ 8,450,625	\$ 8,837,771
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	\$ 132,861	\$ 29,736	\$ 162,597	\$ 116,272
Accrued salaries, wages, and benefits	\$ 23,347	\$ -	\$ 23,347	\$ 24,357
Deferred property tax revenue	\$ 630,000	\$ -	\$ 630,000	\$ 628,340
Other payables	\$ 62,589	\$ -	\$ 62,589	\$ 175,367
Total liabilities	\$ 848,798	\$ 29,736	\$ 878,534	\$ 944,335
Fund Balance				
Nonspendable	\$ 21,904	\$ 12,957	\$ 34,861	\$ 27,880
Restricted for				
Capital projects	\$ 71,940	\$ 3,611,635	\$ 3,683,575	\$ 4,208,292
Debt service	\$ -	\$ 359,717	\$ 359,717	\$ 354,806
Class C Roads	\$ 121,017	\$ -	\$ 121,017	\$ 343,053
Assigned	\$ -	\$ 2,663,720	\$ 2,663,720	\$ 2,497,858
Unassigned	\$ 709,202	\$ -	\$ 709,202	\$ 461,547
Total fund balance	\$ 924,064	\$ 6,648,028	\$ 7,572,092	\$ 7,893,436
Total liabilities and fund balance	\$ 1,772,861	\$ 6,677,764	\$ 8,450,625	\$ 8,837,771

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS

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

June 30, 2011

Total fund balance—total governmental funds	\$ 7,572,092
Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different due to the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	\$ 12,618,464
Bond issuance costs are not available to pay for current period expenditures.	\$ 72,749
Interest payable, but not yet due, on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	\$ (49,844)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	\$ (105,000)
Due in more than one year	\$ (2,395,000)
Compensated absences are not payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	\$ (41,755)
Assets, liabilities, and net assets reported in the internal service fund are not included in the governmental funds balance sheet.	<u>\$ 184,477</u>
Net assets of governmental activities	<u>\$ 17,856,182</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

REVENUES	General	Capital Projects	Total	2010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Taxes	\$ 2,294,365	\$ -	\$ 2,294,365	\$ 2,255,922
Licenses and permits	\$ 70,245	\$ -	\$ 70,245	\$ 108,570
Impact fees	\$ -	\$ 90,390	\$ 90,390	\$ 153,981
Intergovernmental	\$ 263,084	\$ -	\$ 263,084	\$ 246,682
Charges for services	\$ 487,410	\$ -	\$ 487,410	\$ 433,780
Other fees and services	\$ 68,383	\$ -	\$ 68,383	\$ 45,439
Miscellaneous	\$ 38,552	\$ 5,609	\$ 44,161	\$ 35,816
Interest income	\$ 4,118	\$ 30,726	\$ 34,844	\$ 42,212
Total revenues	<u>\$ 3,226,157</u>	<u>\$ 126,725</u>	<u>\$ 3,352,882</u>	<u>\$ 3,322,404</u>
EXPENDITURES				
General government	\$ 1,438,114	\$ 4,020	\$ 1,442,134	\$ 1,539,290
Facilities	\$ -	\$ 35,047	\$ 35,047	\$ -
Highways and streets	\$ 501,945	\$ 29,770	\$ 531,715	\$ 330,047
Public safety	\$ 775,455	\$ -	\$ 775,455	\$ 575,232
Parks and recreation	\$ 291,084	\$ 27,345	\$ 318,429	\$ 334,472
Debt service				
Principal	\$ -	\$ 100,000	\$ 100,000	\$ 95,000
Interest	\$ -	\$ 105,147	\$ 105,147	\$ 108,612
Total expenditures	<u>\$ 3,006,597</u>	<u>\$ 301,329</u>	<u>\$ 3,307,926</u>	<u>\$ 2,982,652</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 219,560</u>	<u>\$ (174,604)</u>	<u>\$ 44,956</u>	<u>\$ 339,751</u>
Other financing sources (uses)				
Transfers in	\$ -	\$ 171,858	\$ 171,858	\$ 1,026,067
Transfers out	\$ (166,432)	\$ (371,726)	\$ (538,159)	\$ (1,086,189)
Total other financing sources (uses)	<u>\$ (166,432)</u>	<u>\$ (199,868)</u>	<u>\$ (366,300)</u>	<u>\$ (60,121)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 53,128</u>	<u>\$ (374,472)</u>	<u>\$ (321,344)</u>	<u>\$ 279,630</u>
Fund balance at beginning of year	\$ 870,936	\$ 7,022,500	\$ 7,893,436	\$ 7,613,806
Fund balance at end of year	<u>\$ 924,064</u>	<u>\$ 6,648,028</u>	<u>\$ 7,572,092</u>	<u>\$ 7,893,436</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2011

Net change in fund balances—total governmental funds	\$ (321,344)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	\$ 39,043
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	\$ (279,999)
Governmental funds report the effect of bond issuance costs when debt is first issued; whereas, these amounts are deferred and amortized in the Government-wide Statement of Activities and Changes in Net Assets.	\$ (3,653)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	\$ 100,000
Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	\$ 1,656
The change in compensated absences does not require the use of current resources and, therefore, is not reported as expenditures in governmental funds.	\$ 3,685
Internal service funds are used by management to charge the cost of vehicle fleet activities. The net activity of certain internal service funds is reported with governmental activities.	<u>\$ -</u>
Change in net assets of governmental activities	<u><u>\$ (460,612)</u></u>

See accompanying notes to financial statements.

PROPRIETARY FUNDS

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	Business-Type Activities—Enterprise Funds				2010
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
Current assets					
Cash and cash equivalents	\$ 1,236,085	\$ -	\$ 1,236,085	\$ 126,434	\$ 956,470
Property tax receivable	\$ -	\$ 385,008	\$ 385,008	\$ -	\$ 385,260
Accounts receivable, net of allowance	\$ 349,731	\$ 61,873	\$ 411,604	\$ -	\$ 355,440
Prepaid expense	\$ 12,409	\$ 25,031	\$ 37,439	\$ -	\$ 24,454
Inventory	\$ -	\$ 29,461	\$ 29,461	\$ -	\$ 51,531
Total current assets	<u>\$ 1,598,225</u>	<u>\$ 501,373</u>	<u>\$ 2,099,598</u>	<u>\$ 126,434</u>	<u>\$ 1,773,155</u>
Noncurrent assets					
Capital assets					
Land	\$ -	\$ 3,810,023	\$ 3,810,023	\$ -	\$ 3,810,023
Golf course improvements	\$ -	\$ 9,046,700	\$ 9,046,700	\$ -	\$ 8,816,773
Water improvements	\$ 18,968,442	\$ -	\$ 18,968,442	\$ -	\$ 19,041,102
Sewer improvements	\$ 6,668,419	\$ -	\$ 6,668,419	\$ -	\$ 6,454,837
Storm drain improvements	\$ 3,126,368	\$ -	\$ 3,126,368	\$ -	\$ 3,115,094
Vehicles	\$ -	\$ -	\$ -	\$ 521,166	\$ -
Less: accumulated depreciation	\$ (5,873,852)	\$ (1,711,198)	\$ (7,585,050)	\$ (269,429)	\$ (6,870,338)
Water stock	\$ 3,311,559	\$ -	\$ 3,311,559	\$ -	\$ 3,290,379
Restricted cash and cash equivalents	\$ 864,269	\$ -	\$ 864,269	\$ -	\$ 1,199,087
Bond costs, net	\$ 141,145	\$ 95,608	\$ 236,753	\$ -	\$ 248,280
Total noncurrent assets	<u>\$ 27,206,350</u>	<u>\$ 11,241,133</u>	<u>\$ 38,447,484</u>	<u>\$ 251,737</u>	<u>\$ 39,105,239</u>
Total assets	<u>\$ 28,804,575</u>	<u>\$ 11,742,506</u>	<u>\$ 40,547,081</u>	<u>\$ 378,171</u>	<u>\$ 40,878,394</u>

See accompanying notes to financial statements.

PROPRIETARY FUNDS

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

LIABILITIES	Business-Type Activities—Enterprise Funds				2010
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
Current liabilities					
Outstanding checks in excess of deposits	\$ -	\$ 1,700,970	\$ 1,700,970	\$ -	\$ 1,674,450
Accounts payable and accrued expenses	\$ 174,249	\$ 206,590	\$ 380,839	\$ 9,218	\$ 236,938
Accrued wages payable	\$ 55,752	\$ 28,236	\$ 83,987	\$ -	\$ 61,582
Accrued interest payable	\$ 110,628	\$ 101,035	\$ 211,663	\$ -	\$ 243,773
Unearned revenue	\$ -	\$ -	\$ -	\$ -	\$ 3,998
Development agreements payable	\$ 336,133	\$ -	\$ 336,133	\$ -	\$ 336,133
Contingent liabilities	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
Long-term debt current portion	\$ 292,000	\$ 313,903	\$ 605,903	\$ -	\$ 521,803
Total current liabilities	\$ 1,168,761	\$ 2,350,735	\$ 3,519,496	\$ 9,218	\$ 3,078,676
Long-term liabilities					
Bonds payable	\$ 7,973,000	\$ 5,655,000	\$ 13,628,000	\$ -	\$ 14,033,000
Notes payable	\$ -	\$ 289,554	\$ 289,554	\$ -	\$ 406,357
Less: current portion	\$ (292,000)	\$ (313,903)	\$ (605,903)	\$ -	\$ (521,803)
Total long-term liabilities	\$ 7,681,000	\$ 5,630,651	\$ 13,311,651	\$ -	\$ 13,917,554
Total liabilities	\$ 8,849,761	\$ 7,981,386	\$ 16,831,147	\$ 9,218	\$ 16,996,231
NET ASSETS					
Invested in capital assets, net of debt	\$ 17,832,948	\$ 5,296,579	\$ 23,129,528	\$ 251,737	\$ 23,130,661
Restricted					
Capital assets	\$ 481,815	\$ -	\$ 481,815	\$ -	\$ 944,893
Debt service	\$ 382,453	\$ -	\$ 382,453	\$ -	\$ 254,194
Unrestricted	\$ 1,257,597	\$ (1,535,459)	\$ (277,862)	\$ 117,216	\$ (447,585)
Total net assets	\$ 19,954,814	\$ 3,761,120	\$ 23,715,934	\$ 368,953	\$ 23,882,163
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with the business-type activities			\$ 184,477		\$ 184,477
Net assets of business-type activities			\$ 23,900,411		\$ 24,066,640

See accompanying notes to financial statements.

PROPRIETARY FUNDS

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

	Business-Type Activities—Enterprise Funds				2010
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total	Motor Pool Fund	
Operating revenues					
Charges for services	\$ 2,634,734	\$ 651,211	\$ 3,285,945	\$ -	\$ 3,063,908
Total operating revenues	\$ 2,634,734	\$ 651,211	\$ 3,285,945	\$ -	\$ 3,063,908
Operating expenses					
Salaries, wages, and employee benefits	\$ 694,874	\$ 430,909	\$ 1,125,782	\$ -	\$ 916,291
Supplies and materials	\$ 411,893	\$ 199,730	\$ 611,623	\$ -	\$ 605,225
Professional and technical	\$ 19,700	\$ -	\$ 19,700	\$ -	\$ 7,418
Vehicle maintenance	\$ -	\$ -	\$ -	\$ 69,908	\$ -
Depreciation and amortization	\$ 606,089	\$ 252,849	\$ 858,938	\$ 81,092	\$ 875,719
Other	\$ 744,597	\$ 107,231	\$ 851,828	\$ -	\$ 659,112
Total operating expenses	\$ 2,477,153	\$ 990,719	\$ 3,467,871	\$ 151,000	\$ 3,063,764
Operating income (loss)	\$ 157,582	\$ (339,508)	\$ (181,926)	\$ (151,000)	\$ 144
Non-operating income (expense)					
Interest income	\$ 6,963	\$ -	\$ 6,963	\$ -	\$ 10,764
Interest expense	\$ (342,916)	\$ (265,125)	\$ (608,042)	\$ -	\$ (614,528)
Property taxes	\$ -	\$ 398,339	\$ 398,339	\$ -	\$ 385,260
Gain (loss) on sale of capital assets	\$ -	\$ (32,921)	\$ (32,921)	\$ 13,467	\$ 9,787
Total non-operating income (expense)	\$ (335,953)	\$ 100,293	\$ (235,660)	\$ 13,467	\$ (208,717)
Income (loss) before capital contributions and operating transfers	\$ (178,372)	\$ (239,215)	\$ (417,586)	\$ (137,533)	\$ (208,573)
Capital contributions	\$ 22,590	\$ -	\$ 22,590	\$ -	\$ 62,986
Operating transfers					
Transfers in	\$ -	\$ 371,726	\$ 371,726	\$ 137,533	\$ -
Transfers out	\$ (140,627)	\$ (2,332)	\$ (142,959)	\$ -	\$ (60,775)
Net operating transfers	\$ (140,627)	\$ 369,395	\$ 228,767	\$ 137,533	\$ (60,775)
Net income (loss)	\$ (296,409)	\$ 130,180	\$ (166,229)	\$ -	\$ (206,362)
Net assets at beginning of year	\$ 20,251,223	\$ 3,630,940		\$ 368,953	
Net assets at end of year	\$ 19,954,814	\$ 3,761,120		\$ 368,953	
Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.			\$ -		\$ -
Changes in net assets of business-type activities			\$ (166,229)		\$ (206,362)

See accompanying notes to financial statements.

PROPRIETARY FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

	Business-Type Activities—Enterprise Funds			Motor Pool Fund	2010 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total		
Cash flows from operating activities					
Cash received from					
Customers	\$ 2,593,449	\$ 653,011	\$ 3,246,460	\$ -	\$ 2,942,213
Cash paid for					
Employees	\$ (676,740)	\$ (426,637)	\$ (1,103,377)	\$ -	\$ (874,572)
Timpanogos Special Service District	\$ (565,139)	\$ -	\$ (565,139)	\$ -	\$ (413,895)
Suppliers	\$ (629,752)	\$ (309,244)	\$ (938,996)	\$ (61,283)	\$ (950,607)
Net cash from operating activities	<u>\$ 721,818</u>	<u>\$ (82,871)</u>	<u>\$ 638,948</u>	<u>\$ (61,283)</u>	<u>\$ 703,139</u>
Cash flows from noncapital financing activities					
Cash paid from other funds	\$ -	\$ 371,726	\$ 371,726	\$ 137,533	\$ -
Cash paid to other funds	\$ (140,627)	\$ (2,332)	\$ (142,959)	\$ -	\$ (60,775)
Other	\$ -	\$ 398,591	\$ 398,591	\$ -	\$ 385,320
Net cash from noncapital financing activities	<u>\$ (140,627)</u>	<u>\$ 767,986</u>	<u>\$ 627,359</u>	<u>\$ 137,533</u>	<u>\$ 324,545</u>
Cash flows from capital and related financing activities					
Acquisition of capital assets	\$ (28,555)	\$ (215,025)	\$ (243,579)	\$ (67,893)	\$ (665,079)
Developer contributions	\$ -	\$ -	\$ -	\$ -	\$ 22,800
Impact fees	\$ 22,590	\$ -	\$ 22,590	\$ -	\$ 40,186
Proceeds from sales of capital assets	\$ -	\$ 27,950	\$ 27,950	\$ 46,761	\$ -
Proceeds from the issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on debt	\$ (265,000)	\$ (256,803)	\$ (521,803)	\$ -	\$ (535,338)
Interest paid on debt	\$ (372,393)	\$ (267,758)	\$ (640,151)	\$ -	\$ (613,660)
Net cash from capital financing activities	<u>\$ (643,358)</u>	<u>\$ (711,636)</u>	<u>\$ (1,354,993)</u>	<u>\$ (21,132)</u>	<u>\$ (1,751,091)</u>
Cash flows from investing activities					
Interest income	\$ 6,963	\$ -	\$ 6,963	\$ -	\$ 10,764
Net cash from investing activities	<u>\$ 6,963</u>	<u>\$ -</u>	<u>\$ 6,963</u>	<u>\$ -</u>	<u>\$ 10,764</u>
Net increase (decrease) in cash	\$ (55,203)	\$ (26,521)	\$ (81,724)	\$ 55,118	\$ (712,643)
Cash at beginning of year	\$ 2,155,557	\$ (1,674,450)	\$ 481,108	\$ 71,316	\$ 1,193,751
Cash at end of year	<u>\$ 2,100,354</u>	<u>\$ (1,700,970)</u>	<u>\$ 399,384</u>	<u>\$ 126,434</u>	<u>\$ 481,108</u>
Cash and cash equivalents	\$ 1,236,085	\$ -	\$ 1,236,085	\$ 126,434	\$ 956,470
Restricted cash and cash equivalents	\$ 864,269	\$ -	\$ 864,269	\$ -	\$ 1,199,087
Checks in excess of deposits	\$ -	\$ (1,700,970)	\$ (1,700,970)	\$ -	\$ (1,674,450)
Total	<u>\$ 2,100,354</u>	<u>\$ (1,700,970)</u>	<u>\$ 399,384</u>	<u>\$ 126,434</u>	<u>\$ 481,108</u>

See accompanying notes to financial statements.

PROPRIETARY FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

	Business-Type Activities—Enterprise Funds			Motor Pool Fund	2010 Restated (Enterprise)
	Water & Sewer Fund	Golf Course Fund	Enterprise Fund Total		
Reconciliation to operating income					
Operating income (loss)	\$ 157,582	\$ (339,508)	\$ (181,926)	\$ (151,000)	\$ 144
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization	\$ 606,089	\$ 252,849	\$ 858,938	\$ 81,092	\$ 875,719
Changes in assets and liabilities					
Accounts receivable	\$ 5,085	\$ 1,800	\$ 6,885	\$ -	\$ 34,679
Prepaid expense	\$ (1,178)	\$ (11,808)	\$ (12,985)	\$ 2,488	\$ (5,681)
Inventory	\$ -	\$ 22,071	\$ 22,071	\$ -	\$ (11,707)
Accounts payable	\$ (59,896)	\$ (12,547)	\$ (72,442)	\$ 6,137	\$ (102,952)
Wages payable	\$ 18,134	\$ 4,272	\$ 22,406	\$ -	\$ 41,719
Refundable deposits	\$ -	\$ -	\$ -	\$ -	\$ (55,000)
Unearned revenue	\$ (3,998)	\$ -	\$ (3,998)	\$ -	\$ (73,782)
Net cash from operating activities	\$ 721,818	\$ (82,871)	\$ 638,948	\$ (61,283)	\$ 703,139

Supplemental information

The City received no capital asset contributions during the year ended June 30, 2011.

The City purchased \$233,821 of Water & Sewer Fund assets through payables.

The City sold \$89,000 of Water & Sewer Fund assets through receivables.

The City purchased \$182,522 of Golf Fund assets through payables.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

CITY OF CEDAR HILLS
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Blended Component Unit

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

Principles Used in Determining Scope of Reporting Entity

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

CITY OF CEDAR HILLS

Notes to Financial Statements

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Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

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

General Fund

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

Capital Projects Fund

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

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

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Sewer and Water Fund

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

Golf Course Fund

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

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

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

Motor Pool Fund

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

Measurement Focus/Basis of Accounting

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

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

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

Budgetary Control

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

The City Council approves by resolution the total budget appropriation by fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council. A public hearing is held anytime an increase in total appropriations is made. The budget was amended in fiscal year 2011. Unused appropriations for all of the annually budgeted funds lapse at the end of the year.

Cash and Cash Equivalents

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

Inventories

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

Compensated Absences

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

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the City when they are collected. Property taxes and fees on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Utah County on behalf of the City and remitted to the City monthly. At June 30, 2011, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at June 30, 2011 is not considered significant.

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June 30, 2011

In accordance with government accounting standards, a receivable and deferred revenue have been recorded for property taxes assessed at January 1, 2011 that will not be collected in the current fiscal year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at June 30, 2011 and revenues and expenses during the year then ended. The actual results could differ from those estimates.

Capital Assets

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

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

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

Transactions Between Funds

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

Fund Balance/Net Assets

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

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions

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of fund balance where constraints placed on the resources are either externally constrained due to state or federal laws, or externally imposed conditions by grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unassigned are residual balances in the General Fund.

Reclassifications

Certain data from the prior year has been reclassified to conform to the June 30, 2011 presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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, 2011, \$609,595 of the City's bank balances were insured and \$411,495 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

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State of Utah; fixed rate corporate obligations and variable rate securities rate "A" or higher by two nationally recognized statistical rating organizations defined in the Act.

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

Investment Type	Fair Value	Maturity	Credit Quality
PTIF	\$ 6,111,838	65 days	Not rated
Externally Managed Investments			
First American Treasury Obligations	\$ 382,342	28 days	AAAm-g
Zions Bank Government Money Market	\$ 72,134	65 days	Not rated
US Bank Government Money Market	\$ 287,694	64 days	Not rated
Total	<u>\$ 6,854,008</u>		

Interest Rate Risk

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

The City's cash and cash equivalents include \$5,028,578 of restricted cash. The City has \$101,228 restricted for well improvements, \$121,017 restricted for class C roads, \$71,940 restricted for care tax programs, \$3,992,222 restricted for impact fees, and \$742,170 restricted for debt service.

NOTE 3 – WATER SHARES

At June 30, 2011, 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 \$411,604 for all proprietary funds includes an allowance for doubtful accounts of \$69,108. The City established an allowance for accounts that may not be collectible due to changes in the economic environment. Net accounts receivable of \$104,769 for the governmental funds includes an allowance for doubtful accounts of \$25,197.

CITY OF CEDAR HILLS
Notes to Financial Statements

June 30, 2011

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

The City has \$245,707 of intergovernmental receivables at June 30, 2011 in the General Fund resulting from \$180,012 due in sales tax revenue, \$50,123 due in Class C Road Funds, and \$15,572 in telecommunication taxes.

NOTE 6 – RISK MANAGEMENT

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

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

GOVERNMENTAL ACTIVITIES	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated				
Land and improvements	\$ 3,416,650	\$ -	\$ -	\$ 3,416,650
Total	\$ 3,416,650	\$ -	\$ -	\$ 3,416,650
Other capital assets				
Buildings and improvements	\$ 2,771,133	\$ 27,769	\$ -	\$ 2,798,902
Roads and sidewalks	\$ 3,863,243	\$ 11,274	\$ -	\$ 3,874,517
Parks	\$ 4,080,243	\$ -	\$ -	\$ 4,080,243
Vehicles	\$ 244,681	\$ 33,946	\$ (18,045)	\$ 260,583
Equipment	\$ 34,558	\$ -	\$ -	\$ 34,558
Less: Accumulated depreciation				
Buildings and improvements	\$ (324,289)	\$ (62,988)	\$ -	\$ (387,277)
Roads and sidewalks	\$ (208,542)	\$ (77,265)	\$ -	\$ (285,807)
Parks	\$ (754,282)	\$ (136,008)	\$ -	\$ (890,290)
Vehicles	\$ (105,092)	\$ (40,546)	\$ 10,923	\$ (134,715)
Equipment	\$ (19,293)	\$ (3,738)	\$ -	\$ (23,031)
Total	\$ 9,582,360	\$ (247,556)	\$ (7,122)	\$ 9,327,682
Governmental activities capital assets, net	<u>\$ 12,999,010</u>	<u>\$ (247,556)</u>	<u>\$ (7,122)</u>	<u>\$ 12,744,332</u>

CITY OF CEDAR HILLS
Notes to Financial Statements
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BUSINESS-TYPE ACTIVITIES	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated				
Land and improvements	\$ 3,810,023	\$ -	\$ -	\$ 3,810,023
Total	\$ 3,810,023	\$ -	\$ -	\$ 3,810,023
Other capital assets				
Golf course improvements	\$ 8,816,773	\$ 397,546	\$ (167,620)	\$ 9,046,700
Water improvements	\$ 19,041,102	\$ 16,340	\$ (89,000)	\$ 18,968,442
Sewer improvements	\$ 6,454,835	\$ 213,582	\$ -	\$ 6,668,417
Storm drain improvements	\$ 3,115,094	\$ 11,274	\$ -	\$ 3,126,368
Vehicles	\$ 244,681	\$ 33,946	\$ (18,045)	\$ 260,583
Less: Accumulated depreciation				\$ -
Golf course improvements	\$ (1,595,146)	\$ (248,752)	\$ 132,699	\$ (1,711,198)
Water improvements	\$ (3,180,118)	\$ (402,558)	\$ -	\$ (3,582,675)
Sewer improvements	\$ (1,525,033)	\$ (128,806)	\$ -	\$ (1,653,838)
Storm drain improvements	\$ (570,042)	\$ (67,296)	\$ -	\$ (637,338)
Vehicles	\$ (105,092)	\$ (40,546)	\$ 10,923	\$ (134,715)
Total	\$ 30,697,056	\$ (215,268)	\$ (131,043)	\$ 30,350,745
Business-type capital assets, net	\$ 34,507,080	\$ (215,268)	\$ (131,043)	\$ 34,160,769
Governmental activities depreciation expense				
General government				\$ 184,537
Parks and recreation				\$ 136,008
Total governmental activities depreciation expense				\$ 320,545
Business-type activities depreciation expense				
Sewer and water				\$ 598,660
Vehicle service				\$ 40,546
Golf course				\$ 248,752
Total business-type activities depreciation expense				\$ 887,957

NOTE 8 – LONG-TERM DEBT

The legal general obligation debt limit for the City is \$29,407,552. The City had \$5,655,000 in general obligation debt at June 30, 2011.

CITY OF CEDAR HILLS
Notes to Financial Statements

June 30, 2011

General Obligation Bonds	<u>Governmental</u>	<u>Business-Type</u>
<p>\$6,250,000 General Obligation Refunding Bond due in annual installments on February 1 of \$65,000 to \$365,000. Interest at 3.75% to 4.50% is due in semi-annual payments on February 1 and August 1, secured by the revenues of the golf course.</p>	\$ -	\$ 5,655,000
<p>Total general obligation bonds</p>	<u>\$ -</u>	<u>\$ 5,655,000</u>
Revenue Bonds		
<p>\$790,000 Lease Revenue Bonds due in annual installments on February 15 of \$30,000 to \$60,000. Interest at 3.042% is due in semi-annual payments on February 15 and August 15, secured by the building.</p>	\$ 400,000	
<p>\$2,090,000 Utility Revenue Bonds due in annual installments on March 1 of \$80,000 to \$133,000. Interest at 2.71% due in annual installments on March 1, secured by utility revenues.</p>		\$ 1,843,000
<p>\$6,215,000 Utility Revenue Bonds due in annual installments on March 1 of \$210,000 to \$385,000. Interest at 3.50% to 4.625% due in semi-annual payments on March 1 and September 1, secured by the pressurized irrigation system.</p>		\$ 5,255,000
<p>\$2,325,000 Excise Tax Revenue Bonds due in annual installments on July 1 of \$50,000 to \$150,000. Interest at 4.0% to 4.5% due in semi-annual payments on January 1 and July 1, secured by the public works building.</p>	\$ 2,100,000	
<p>\$930,000 Utility Revenue Bonds due in annual installments on March 1 of \$25,000 to \$75,000. Interest at 5.99% due in semi-annual payments on March 1 and September 1.</p>		\$ 875,000
<p>Total revenue bonds</p>	<u>\$ 2,500,000</u>	<u>\$ 7,973,000</u>
Capital Leases		
<p>\$278,712 Citicapital capital lease, due in six monthly installments per year of \$8,650 including interest at 5.52%, beginning July 1, 2007, secured by the golf carts.</p>		\$ 117,313

CITY OF CEDAR HILLS
Notes to Financial Statements

June 30, 2011

	Governmental	Business-Type
\$60,791 Wells Fargo capital lease, due in 36 monthly installments of \$1,821 including interest at 5.245%, beginning November 20, 2008, secured by the equipment.		\$ 7,204
\$36,200 John Deere capital lease, due in monthly installments of \$1,123 including interest at 7.75%, beginning February 1, 2009, secured by the equipment.		\$ 7,662
\$33,750 Wells Fargo capital lease, due in 36 monthly installments of \$1,020 including interest at 5.904%, beginning March 20, 2009, secured by the equipment.		\$ 7,984
\$40,570 Yamaha capital lease, due in 60 monthly installments of \$760 including interest at 4.88%, beginning July 1, 2009, secured by the golf carts.		\$ 25,477
\$142,987 De Lage Landen Public Finance capital lease, due in 6 monthly installments of \$4,325 including interest at 4.91%, beginning May 1, 2010, secured by the golf carts.		\$ 123,914
Total capital leases	\$ -	\$ 289,554
Total debt	\$ 2,500,000	\$ 13,917,554

Transactions for the year ended June 30, 2011 are summarized as follows:

	Balance July 1, 2010	Issues or Additions	Payments or Expenditures	Balance June 30, 2011	Due within One Year
Governmental activities					
Revenue bonds	\$ 2,600,000	\$ -	\$ 100,000	\$ 2,500,000	\$ 105,000
Total governmental activities	\$ 2,600,000	\$ -	\$ 100,000	\$ 2,500,000	\$ 105,000
Business-type activities					
Revenue bonds	\$ 8,238,000	\$ -	\$ 265,000	\$ 7,973,000	\$ 292,000
General obligation bonds	\$ 5,795,000	\$ -	\$ 140,000	\$ 5,655,000	\$ 145,000
Capital leases	\$ 406,357	\$ -	\$ 116,803	\$ 289,554	\$ 168,903
Total business-type activities	\$ 14,439,357	\$ -	\$ 521,803	\$ 13,917,554	\$ 605,903
Total government	\$ 17,039,357	\$ -	\$ 621,803	\$ 16,417,554	\$ 710,903

CITY OF CEDAR HILLS
Notes to Financial Statements

June 30, 2011

Revenue Bonds future debt service requirements:

Year Ending June 30,	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	Principal	Interest	Principal	Interest
2012	\$ 105,000	\$ 101,431	\$ 292,000	\$ 331,883
2013	\$ 110,000	\$ 97,614	\$ 299,000	\$ 321,166
2014	\$ 115,000	\$ 93,545	\$ 307,000	\$ 310,207
2015	\$ 125,000	\$ 89,276	\$ 324,000	\$ 298,517
2016	\$ 125,000	\$ 84,755	\$ 332,000	\$ 286,073
2017-2021	\$ 595,000	\$ 350,326	\$ 1,888,000	\$ 1,223,501
2022-2026	\$ 525,000	\$ 238,800	\$ 2,303,000	\$ 800,429
2027-2031	\$ 650,000	\$ 109,050	\$ 2,228,000	\$ 286,157
2032	\$ 150,000	\$ 3,375	\$ -	\$ -
Total	\$ 2,500,000	\$ 1,168,171	\$ 7,973,000	\$ 3,857,932

General Obligation Bond future debt service requirements:

Year Ending June 30,	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	Principal	Interest	Principal	Interest
2012			\$ 145,000	\$ 239,558
2013			\$ 150,000	\$ 234,120
2014			\$ 155,000	\$ 228,120
2015			\$ 160,000	\$ 221,920
2016			\$ 165,000	\$ 215,520
2017-2021			\$ 945,000	\$ 972,000
2022-2026			\$ 1,150,000	\$ 766,000
2027-2031			\$ 1,415,000	\$ 501,280
2032-2035			\$ 1,370,000	\$ 157,500
Total	\$ -	\$ -	\$ 5,655,000	\$ 3,536,018

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The City entered into a capital lease agreement with Citicapital during March 2007 to purchase golf carts. The City financed the purchase over fifty-five months at a stated and effective rate of 5.52% interest. Monthly payments of \$8,650 are required July through December of each year through 2012 with a lump sum payment of \$68,400 due January 1, 2012. The lease is secured by the golf carts. The golf carts are recorded at \$139,356 with accumulated depreciation of \$86,268.

The City entered into a capital lease agreement with Wells Fargo during November 2008 to purchase fairway maintenance equipment. The City financed the purchase over thirty-six months at a stated and effective rate of 5.245% interest. Monthly payments of \$1,821 are required through October 2011. The lease is secured by the equipment. The equipment is recorded at \$60,791 with accumulated depreciation of \$22,435.

The City entered into a capital lease agreement with John Deere during February 2009 to purchase fairway maintenance equipment. The City financed the purchase over thirty-six months at a stated and effective rate of 7.75% interest. Monthly payments of \$1,123 are required through January 2012. The lease is secured by the equipment. The equipment is recorded at \$36,200 with accumulated depreciation of \$12,498.

The City entered into a capital lease agreement with Wells Fargo during March 2009 to purchase fairway maintenance equipment. The City financed the purchase over thirty-six months at a stated and effective rate of 5.904% interest. Monthly payments of \$1,020 are required through February 2012. The lease is secured by the equipment. The equipment is recorded at \$33,750 with accumulated depreciation of \$10,848.

The City entered into a capital lease agreement with Yamaha during July 2010 to purchase golf carts. The City financed the purchase over sixty months at a stated and effective rate of 4.88% interest. Monthly payments of \$760 are required through June 2014. The lease is secured by the golf carts. The golf carts are recorded at \$40,570 with accumulated depreciation of \$11,591.

The City entered into a capital lease agreement with De Lage Landen Public Finance LLC during May 2010 to purchase golf carts. The City financed purchase over fifty-six months at a stated and effective rate of 4.91% interest. Monthly payments of \$4,325 are required July through December of each year through 2015 with a lump sum payment of \$34,200 due January 1, 2015. The lease is secured by the golf carts. The golf carts are recorded at \$142,987 with accumulated depreciation of \$23,831.

CITY OF CEDAR HILLS
Notes to Financial Statements
June 30, 2011

Capital leases future debt service requirements:

Year ending June 30, 2012	\$ 178,681
Year ending June 30, 2013	\$ 35,074
Year ending June 30, 2014	\$ 35,074
Year ending June 30, 2015	\$ 60,149
Total minimum lease payments	<u>\$ 308,978</u>
Amount representing interest	<u>\$ (19,424)</u>
Present value of minimum lease payments	\$ 289,554
Amount due within one year	\$ (168,903)
Amount due after one year	<u><u>\$ 120,651</u></u>

NOTE 9 – NET ASSETS

Net assets at June 30, 2011 consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
Invested in capital assets, net of related debt		
Net capital assets	\$ 12,817,082	\$ 37,709,083
Less: Outstanding debt issued	\$ (2,500,000)	\$ (14,453,687)
Invested in capital assets, net of related debt	<u>\$ 10,317,082</u>	<u>\$ 23,255,396</u>
Restricted net assets		
Restricted for capital projects	\$ 3,683,575	\$ 481,815
Restricted for class C roads	\$ 121,017	\$ -
Restricted for debt service	\$ 359,717	\$ 382,453
Total restricted net assets	<u>\$ 4,164,309</u>	<u>\$ 864,269</u>
Unrestricted net assets	<u>\$ 3,374,792</u>	<u>\$ (219,254)</u>
Total net assets	<u><u>\$ 17,856,182</u></u>	<u><u>\$ 23,900,411</u></u>

NOTE 10 – RETIREMENT PLANS

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

CITY OF CEDAR HILLS
Notes to Financial Statements

June 30, 2011

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

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

The City is required to contribute 13.37% of eligible employees' earnings for fiscal year to the noncontributory system. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the Noncontributory System for the years ending June 30, 2011, 2010, and 2009 were \$148,970, \$125,884, and \$110,219, respectively. The contributions were equal to the required contributions for each year.

NOTE 11 – DEFERRED COMPENSATION PLANS

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

Employer contributions were made to the 457 plan in the amount of \$618, \$2,215, and \$2,122 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively. Employee contributions of \$3,847, \$3,325 and \$2,771 were made to the plan for the year ended June 30, 2011, 2010, and 2009. Employee contributions of \$14,934, \$6,668, and \$4,649 were made to the 401(k) plan for the years ended June 30, 2011, 2010, and 2009, respectively. Employee contributions of \$1,000 were made to the Roth IRA plan for the year ended June 30, 2011.

NOTE 12 – LESSEE LEASING ARRANGEMENTS

On June 10, 1997, the City entered into an agreement with Central Utah Water Conservancy District to lease 710 acre feet of municipal and industrial project water. The City received a 100-acre foot allotment during August 2002, August 2003, two allotments in September 2003 and the remaining 310 acre foot allotment in August 2007, for a total of 710 acre feet. The total cost of the water is \$4,529,812, financed at 3% interest, payable in 40–45 annual installments. The annual

CITY OF CEDAR HILLS
Notes to Financial Statements
June 30, 2011

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 2011.

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

Year Ended June 30,	Total	Year Ended June 30,	Total
2012	\$ 105,972	2022-2026	\$ 529,860
2013	\$ 105,972	2027-2031	\$ 529,860
2014	\$ 105,972	2032-2036	\$ 529,860
2015	\$ 105,972	2037-2041	\$ 529,860
2016	\$ 105,972	2042-2046	\$ 529,860
2017-2021	\$ 529,860	2047	\$ 58,235
		Total	\$ 3,767,255

NOTE 13 – INTERFUND ACTIVITY

Inter-fund transfers for the year ended June 30, 2011 consisted of the following:

	Transfer In	Transfer Out
General Fund		\$ 166,432
Capital Projects Fund	\$ 171,858	\$ 371,726
Water & Sewer Fund		\$ 140,627
Golf Fund	\$ 371,726	\$ 2,332
Motor Pool Fund	\$ 137,533	
Total	<u>\$ 681,118</u>	<u>\$ 681,118</u>

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

NOTE 14 – CONTINGENT LIABILITIES

An invoice for work performed on a sewer lateral during fiscal year 2011 is currently being disputed by the City Council. The final invoice came in much higher than the original amount indicated to the City. A contingent liability of \$200,000 has been booked relating to the matter.

REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedules—General Fund

BUDGETARY COMPARISON SCHEDULE

General Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues (inflows)				
Taxes	\$ 2,249,000	\$ 2,269,000	\$ 2,294,365	\$ 25,365
License and permits	\$ 64,000	\$ 64,000	\$ 70,245	\$ 6,245
Intergovernmental	\$ 230,600	\$ 230,600	\$ 263,084	\$ 32,484
Charges for services	\$ 466,200	\$ 466,200	\$ 487,410	\$ 21,210
Other fees and services	\$ 55,000	\$ 75,000	\$ 68,383	\$ (6,617)
Miscellaneous	\$ 20,000	\$ 20,000	\$ 38,552	\$ 18,552
Interest income	\$ 12,000	\$ 12,000	\$ 4,118	\$ (7,882)
Total revenues	<u>\$ 3,096,800</u>	<u>\$ 3,136,800</u>	<u>\$ 3,226,157</u>	<u>\$ 89,357</u>
Expenditures (outflows)				
General government	\$ 2,075,000	\$ 2,097,400	\$ 1,940,058	\$ 157,342
Public safety	\$ 772,150	\$ 792,150	\$ 775,455	\$ 16,695
Parks and recreation	\$ 296,150	\$ 316,150	\$ 291,084	\$ 25,066
Transfers out	\$ 257,700	\$ 257,700	\$ 166,432	\$ 91,268
Total expenditures	<u>\$ 3,401,000</u>	<u>\$ 3,463,400</u>	<u>\$ 3,173,029</u>	<u>\$ 290,371</u>
Excess (deficiency) of revenues over expenditures	\$ (304,200)	\$ (326,600)	\$ 53,128	<u>\$ 379,728</u>
Fund balance, beginning of year	<u>\$ 870,936</u>	<u>\$ 870,936</u>	<u>\$ 870,936</u>	
Fund balance, end of year	<u>\$ 566,736</u>	<u>\$ 544,336</u>	<u>\$ 924,064</u>	

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

Individual Fund Financial Statements and Schedules

General Fund

Capital Projects Fund

Proprietary Funds

Additional Schedules

Schedule of Audit Findings

Property Tax Levies and Collections

Information on Water Utility System

Additional Auditors' Reports

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

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

GENERAL FUND

The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

GENERAL FUND

Balance Sheet

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 544,170	\$ 380,055
Restricted cash and cash equivalents	\$ 192,957	\$ 381,509
Receivables		
Intergovernmental	\$ 245,707	\$ 241,738
Garbage billings (net)	\$ 45,823	\$ 40,706
Property taxes	\$ 664,068	\$ 654,279
Other receivables (net)	\$ 58,233	\$ 36,178
Prepaid expenses	\$ 21,904	\$ 27,880
Total assets	<u>\$ 1,772,861</u>	<u>\$ 1,762,344</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 132,861	\$ 63,345
Accrued salaries and benefits	\$ 23,347	\$ 24,357
Deferred property tax revenue	\$ 630,000	\$ 628,340
Refundable deposits	\$ 62,589	\$ 78,589
Other payables	\$ -	\$ 96,777
Total liabilities	<u>\$ 848,798</u>	<u>\$ 891,409</u>
 Fund balance		
Nonspendable	\$ 21,904	\$ 27,880
Restricted for		
Class C Roads	\$ 121,017	\$ 343,053
Care tax	\$ 71,940	\$ 38,456
Unassigned	\$ 709,202	\$ 461,547
Total fund balance	<u>\$ 924,064</u>	<u>\$ 870,936</u>
Total liabilities and fund balance	<u>\$ 1,772,861</u>	<u>\$ 1,762,344</u>

GENERAL FUND

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

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

REVENUES	Budget	Actual	Variance	2010
Taxes				
Property taxes	\$ 770,000	\$ 767,298	\$ (2,702)	\$ 793,246
Delinquent taxes	\$ 80,000	\$ 65,947	\$ (14,053)	\$ 79,186
Fee in lieu of taxes	\$ 1,000	\$ 2,113	\$ 1,113	\$ 3,691
Sales taxes	\$ 950,000	\$ 954,063	\$ 4,063	\$ 902,522
Care tax	\$ 28,000	\$ 33,308	\$ 5,308	\$ 30,527
Franchise taxes	\$ 320,000	\$ 358,995	\$ 38,995	\$ 334,355
Telecom taxes	\$ 120,000	\$ 112,640	\$ (7,360)	\$ 112,395
Total	\$ 2,269,000	\$ 2,294,365	\$ 25,365	\$ 2,255,922
Licenses and permits				
Building permits	\$ 30,000	\$ 29,330	\$ (670)	\$ 59,633
Plan check fees	\$ 10,500	\$ 16,224	\$ 5,724	\$ 24,736
Other licenses and permits	\$ 23,500	\$ 24,692	\$ 1,192	\$ 24,201
Total	\$ 64,000	\$ 70,245	\$ 6,245	\$ 108,570
Intergovernmental revenue				
Road fund allotments	\$ 225,000	\$ 257,351	\$ 32,351	\$ 241,114
Liquor fund allotments	\$ 5,600	\$ 5,733	\$ 133	\$ 5,568
Total	\$ 230,600	\$ 263,084	\$ 32,484	\$ 246,682
Fees				
Engineering inspection fees	\$ -	\$ -	\$ -	\$ 4,910
Penalty fees	\$ 2,000	\$ 3,261	\$ 1,261	\$ 5,275
Application and processing fees	\$ -	\$ -	\$ -	\$ 200
Garbage fees	\$ 350,000	\$ 356,662	\$ 6,662	\$ 356,546
Recycling fees	\$ 40,000	\$ 48,050	\$ 8,050	\$ 45,695
Paramedic fees	\$ 55,000	\$ 57,456	\$ 2,456	\$ -
Zoning fees	\$ 3,000	\$ 5,781	\$ 2,781	\$ 4,955
Rent	\$ 16,200	\$ 16,200	\$ -	\$ 16,200
Total	\$ 466,200	\$ 487,410	\$ 21,210	\$ 433,780
Recreation and culture revenue				
Recreation and festival income	\$ 25,000	\$ 11,160	\$ (13,840)	\$ 11,466
Recreation programs	\$ 50,000	\$ 56,372	\$ 6,372	\$ 33,923
Other recreation revenue	\$ -	\$ 851	\$ 851	\$ 50
Total	\$ 75,000	\$ 68,383	\$ (6,617)	\$ 45,439
Miscellaneous revenues				
Interest earnings	\$ 12,000	\$ 4,118	\$ (7,882)	\$ 7,887
Construction bond forfeiture	\$ -	\$ 23,000	\$ 23,000	\$ 8,000
Other revenue	\$ 20,000	\$ 15,552	\$ (4,448)	\$ 17,271
Total	\$ 32,000	\$ 42,670	\$ 10,670	\$ 33,158
Total revenues	\$ 3,136,800	\$ 3,226,157	\$ 89,357	\$ 3,123,552

GENERAL FUND

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

For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

EXPENDITURES	Budget	Actual	Variance	2010
General government				
General government	\$ 307,100	\$ 262,167	\$ 44,933	\$ 247,516
Mayor & council	\$ 65,200	\$ 64,142	\$ 1,058	\$ 62,517
Administrative service	\$ 347,900	\$ 315,300	\$ 32,600	\$ 437,535
Finance	\$ 157,500	\$ 151,598	\$ 5,902	\$ -
Building and zoning	\$ 120,950	\$ 106,941	\$ 14,009	\$ 125,433
Public works	\$ 220,950	\$ 201,761	\$ 19,189	\$ 323,043
Highway and streets	\$ 525,000	\$ 501,945	\$ 23,055	\$ 281,177
Solid waste	\$ 352,800	\$ 336,205	\$ 16,595	\$ 339,226
Total	<u>\$ 2,097,400</u>	<u>\$ 1,940,058</u>	<u>\$ 157,342</u>	<u>\$ 1,816,447</u>
Public safety				
Crossing guards	\$ 18,400	\$ 14,245	\$ 4,155	\$ 14,330
Police department	\$ 382,000	\$ 369,728	\$ 12,272	\$ 357,238
Fire department	\$ 386,000	\$ 385,440	\$ 560	\$ 198,699
Animal control	\$ 5,750	\$ 5,742	\$ 8	\$ 4,965
Other public safety	\$ -	\$ 300	\$ (300)	\$ -
Total	<u>\$ 792,150</u>	<u>\$ 775,455</u>	<u>\$ 16,695</u>	<u>\$ 575,232</u>
Recreation and culture				
Library	\$ 14,000	\$ 13,600	\$ 400	\$ 14,000
Recreation	\$ 252,650	\$ 230,301	\$ 22,349	\$ 196,862
City celebrations	\$ 45,000	\$ 43,671	\$ 1,329	\$ 39,251
Other celebrations	\$ 4,500	\$ 3,511	\$ 989	\$ 12,636
Total	<u>\$ 316,150</u>	<u>\$ 291,084</u>	<u>\$ 25,066</u>	<u>\$ 262,750</u>
Total expenditures	<u>\$ 3,205,700</u>	<u>\$ 3,006,597</u>	<u>\$ 199,103</u>	<u>\$ 2,654,428</u>
Excess of revenues over expenditures	<u>\$ (68,900)</u>	<u>\$ 219,560</u>	<u>\$ 288,460</u>	<u>\$ 469,124</u>
Other financing sources (uses)				
Operating transfers out	\$ (257,700)	\$ (166,432)	\$ 91,268	\$ (1,086,189)
Total other financing sources (uses)	<u>\$ (257,700)</u>	<u>\$ (166,432)</u>	<u>\$ 91,268</u>	<u>\$ (1,086,189)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (326,600)</u>	<u>\$ 53,128</u>	<u>\$ 379,728</u>	<u>\$ (617,065)</u>
Fund balance at beginning of year	\$ 870,936	\$ 870,936		\$ 1,488,000
Fund balance at end of year	<u>\$ 544,336</u>	<u>\$ 924,064</u>		<u>\$ 870,936</u>

CAPITAL PROJECTS FUND

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

CAPITAL PROJECTS FUND

Balance Sheet

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 2,692,742	\$ 2,550,784
Restricted cash and cash equivalents		
Impact fees	\$ 3,611,635	\$ 4,169,836
Debt reserve	\$ 359,717	\$ 354,806
Accounts receivable	\$ 714	\$ -
Prepaid expense	\$ 12,957	\$ -
Total assets	<u>\$ 6,677,764</u>	<u>\$ 7,075,427</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 29,736	\$ 52,927
Total liabilities	<u>\$ 29,736</u>	<u>\$ 52,927</u>
 Fund balance		
Nonspendable	\$ 12,957	\$ -
Restricted for		
Capital projects	\$ 3,611,635	\$ 4,169,836
Debt service	\$ 359,717	\$ 354,806
Assigned	\$ 2,663,720	\$ 2,497,858
Total fund balance	<u>\$ 6,648,028</u>	<u>\$ 7,022,500</u>
Total liabilities and fund balance	<u>\$ 6,677,764</u>	<u>\$ 7,075,427</u>

CAPITAL PROJECTS FUND

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

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

REVENUES	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2010</u>
Impact fees				
Park development	\$ 7,020	\$ 11,700	\$ 4,680	\$ 11,700
Park land	\$ 26,268	\$ 43,780	\$ 17,512	\$ 39,402
Recreation	\$ 9,840	\$ 16,400	\$ 6,560	\$ 16,400
Public safety	\$ 3,222	\$ 5,370	\$ 2,148	\$ 10,092
Streets	\$ 7,884	\$ 13,140	\$ 5,256	\$ 76,387
Interest earnings	\$ 30,000	\$ 30,726	\$ 726	\$ 34,325
Grant revenues	\$ 5,000	\$ 5,609	\$ 609	\$ 10,545
Total revenues	<u>\$ 89,234</u>	<u>\$ 126,725</u>	<u>\$ 37,491</u>	<u>\$ 198,852</u>
EXPENDITURES				
General and administrative	\$ 4,020	\$ 4,020	\$ -	\$ 4,020
Facilities	\$ 35,000	\$ 35,047	\$ (47)	\$ -
Highways and streets	\$ 580,200	\$ 29,770	\$ 550,430	\$ 48,870
Parks and recreation	\$ 2,502,000	\$ 27,345	\$ 2,474,655	\$ 71,722
Debt service				
Principal	\$ 100,000	\$ 100,000	\$ -	\$ 95,000
Interest	\$ 105,850	\$ 105,147	\$ 703	\$ 108,612
Total expenditures	<u>\$ 3,327,070</u>	<u>\$ 301,329</u>	<u>\$ 3,025,741</u>	<u>\$ 328,224</u>
Excess (deficiency) of revenues over expenditures	<u>(3,237,836)</u>	<u>(174,604)</u>	<u>3,063,232</u>	<u>(129,372)</u>
Other financing sources (uses)				
Operating transfers in	\$ 255,470	\$ 171,858	\$ (83,612)	\$ 1,026,067
Operating transfers out	\$ (2,500,000)	\$ (371,726)	\$ 2,128,274	\$ -
Total other financing sources (uses)	<u>\$ (2,244,530)</u>	<u>\$ (199,868)</u>	<u>\$ 2,044,662</u>	<u>\$ 1,026,067</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (5,482,366)</u>	<u>\$ (374,472)</u>	<u>\$ 5,107,894</u>	<u>\$ 896,695</u>
Fund balance at beginning of year	\$ 7,022,500	\$ 7,022,500		\$ 6,125,805
Fund balance at end of year	<u>\$ 1,540,134</u>	<u>\$ 6,648,028</u>		<u>\$ 7,022,500</u>

PROPRIETARY FUNDS

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

WATER AND SEWER FUND

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	2011	2010
Current assets		
Cash and cash equivalents	\$ 1,236,085	\$ 956,470
Prepaid expense	\$ 12,409	\$ 11,231
Accounts receivable (net)	\$ 349,731	\$ 265,816
Total current assets	<u>\$ 1,598,225</u>	<u>\$ 1,233,517</u>
Capital assets		
Water improvements	\$ 18,968,442	\$ 19,041,102
Sewer improvements	\$ 6,668,419	\$ 6,454,837
Storm drain improvements	\$ 3,126,368	\$ 3,115,094
Less: Accumulated depreciation	<u>\$ (5,873,852)</u>	<u>\$ (5,275,193)</u>
Net capital assets	\$ 22,889,377	\$ 23,335,840
Water stock	\$ 3,311,559	\$ 3,290,379
Other noncurrent assets		
Bond costs	\$ 177,020	\$ 177,020
Less: Accumulated amortization	\$ (35,875)	\$ (28,446)
Restricted cash and cash equivalents	<u>\$ 864,269</u>	<u>\$ 1,199,087</u>
Total noncurrent assets	<u>\$ 1,005,414</u>	<u>\$ 1,347,662</u>
Total assets	<u><u>\$ 28,804,575</u></u>	<u><u>\$ 29,207,399</u></u>

WATER AND SEWER FUND

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

LIABILITIES	<u>2011</u>	<u>2010</u>
Current liabilities		
Accounts payable	\$ 174,249	\$ 200,323
Accrued salaries and benefits	\$ 55,752	\$ 37,618
Accrued interest payable	\$ 110,628	\$ 140,104
Unearned revenue	\$ -	\$ 3,998
Development agreements payable	\$ 336,133	\$ 336,133
Contingent liabilities	\$ 200,000	\$ -
Current portion of long-term debt	\$ 292,000	\$ 265,000
Total current liabilities	<u>\$ 1,168,761</u>	<u>\$ 983,176</u>
Noncurrent liabilities		
Notes and bonds payable	\$ 7,973,000	\$ 8,238,000
Less: Current portion	\$ (292,000)	\$ (265,000)
Total noncurrent liabilities	<u>\$ 7,681,000</u>	<u>\$ 7,973,000</u>
Total liabilities	<u><u>\$ 8,849,761</u></u>	<u><u>\$ 8,956,176</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 17,832,948	\$ 18,200,661
Restricted		
Capital assets	\$ 481,815	\$ 944,893
Debt service	\$ 382,453	\$ 254,194
Unrestricted	<u>\$ 1,257,597</u>	<u>\$ 851,474</u>
Total net assets	<u><u>\$ 19,954,814</u></u>	<u><u>\$ 20,251,223</u></u>

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

For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2010</u>
Operating revenues				
Water charges	\$ 1,552,100	\$ 1,564,957	\$ 12,857	\$ 1,514,708
Sewer charges	\$ 880,450	\$ 873,072	\$ (7,378)	\$ 688,337
Storm drain charges	\$ 180,000	\$ 184,535	\$ 4,535	\$ 166,319
Utility setup fees	\$ 10,000	\$ 12,170	\$ 2,170	\$ 14,574
Total operating revenues	<u>\$ 2,622,550</u>	<u>\$ 2,634,734</u>	<u>\$ 12,184</u>	<u>\$ 2,383,938</u>
Operating expenses				
Salaries, wages, and employee benefits	\$ 746,100	\$ 694,874	\$ 51,226	\$ 522,976
Supplies and maintenance	\$ 181,600	\$ 145,648	\$ 35,952	\$ 141,513
Utilities and telephone	\$ 271,900	\$ 266,246	\$ 5,654	\$ 264,709
Professional and technical	\$ 30,500	\$ 19,700	\$ 10,801	\$ 7,418
Timpanogos Special Service District fees	\$ 570,000	\$ 565,139	\$ 4,861	\$ 413,895
Water purchases	\$ 142,700	\$ 137,085	\$ 5,615	\$ 129,080
Bad debts	\$ 18,000	\$ 42,373	\$ (24,373)	\$ 27,591
Depreciation and amortization	\$ 608,530	\$ 606,089	\$ 2,441	\$ 580,979
Total operating expenses	<u>\$ 2,569,330</u>	<u>\$ 2,477,153</u>	<u>\$ 92,177</u>	<u>\$ 2,088,162</u>
Operating income (loss)	<u>\$ 53,220</u>	<u>\$ 157,582</u>	<u>\$ (79,993)</u>	<u>\$ 295,777</u>
Non-operating income (expense)				
Interest income	\$ 10,000	\$ 6,963	\$ (3,037)	\$ 10,764
Interest expense	\$ (342,950)	\$ (342,916)	\$ 34	\$ (351,395)
Total non-operating income (expense)	<u>\$ (332,950)</u>	<u>\$ (335,953)</u>	<u>\$ (3,003)</u>	<u>\$ (340,631)</u>
Income (loss) before capital contributions and transfers	<u>\$ (279,730)</u>	<u>\$ (178,372)</u>	<u>\$ (82,996)</u>	<u>\$ (44,854)</u>
Capital contributions				
Impact fees	\$ 12,550	\$ 22,590	\$ 10,040	\$ 40,186
Developers	\$ -	\$ -	\$ -	\$ 22,800
Total capital contributions	<u>\$ 12,550</u>	<u>\$ 22,590</u>	<u>\$ 10,040</u>	<u>\$ 62,986</u>
Operating transfers				
Transfers out	\$ (148,670)	\$ (140,627)	\$ 8,043	\$ (60,642)
Net operating transfers	<u>\$ (148,670)</u>	<u>\$ (140,627)</u>	<u>\$ 8,043</u>	<u>\$ (60,642)</u>
Net income (loss)	\$ (415,850)	\$ (296,409)	<u>\$ 119,441</u>	\$ (42,510)
Net assets at beginning of year	<u>\$ 20,251,223</u>	<u>\$ 20,251,223</u>		<u>\$ 20,293,732</u>
Net assets at end of year	<u>\$ 19,835,373</u>	<u>\$ 19,954,814</u>		<u>\$ 20,251,223</u>

GOLF COURSE FUND

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	2011	2010
Current assets		
Receivables		
Property taxes	\$ 385,008	\$ 385,260
Other receivables	\$ 61,873	\$ 89,624
Prepaid expense	\$ 25,031	\$ 13,223
Inventory	\$ 29,461	\$ 51,531
Total current assets	<u>\$ 501,373</u>	<u>\$ 539,638</u>
Capital assets		
Land	\$ 3,810,023	\$ 3,810,023
Golf course improvements	\$ 9,046,700	\$ 8,816,773
Less: Accumulated depreciation	\$ (1,711,198)	\$ (1,595,145)
Net capital assets	<u>\$ 11,145,525</u>	<u>\$ 11,031,651</u>
Other noncurrent assets		
Bond costs	\$ 118,827	\$ 118,827
Less: Accumulated amortization	\$ (23,219)	\$ (19,121)
Total noncurrent assets	<u>\$ 95,608</u>	<u>\$ 99,705</u>
Total assets	<u><u>\$ 11,742,506</u></u>	<u><u>\$ 11,670,995</u></u>

GOLF COURSE FUND

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

LIABILITIES	2011	2010
Current liabilities		
Outstanding checks in excess of deposits	\$ 1,700,970	\$ 1,674,450
Accrued interest payable	\$ 101,035	\$ 103,669
Accounts payable	\$ 206,590	\$ 36,615
Accrued salaries and benefits	\$ 28,236	\$ 23,964
Current portion of long-term debt	\$ 313,903	\$ 256,803
Total current liabilities	<u>\$ 2,350,735</u>	<u>\$ 2,095,500</u>
Noncurrent liabilities		
Notes payable	\$ 289,554	\$ 406,357
Bonds payable	\$ 5,655,000	\$ 5,795,000
Less: Current portion	\$ (313,903)	\$ (256,803)
Total noncurrent liabilities	<u>\$ 5,630,651</u>	<u>\$ 5,944,554</u>
Total liabilities	<u><u>\$ 7,981,386</u></u>	<u><u>\$ 8,040,055</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 5,296,579	\$ 4,929,999
Unrestricted	\$ (1,535,459)	\$ (1,299,059)
Total net assets	<u><u>\$ 3,761,120</u></u>	<u><u>\$ 3,630,940</u></u>

GOLF COURSE FUND

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

For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

	Budget	Actual	Variance	2010
Operating revenues				
Golf revenue	\$ 750,000	\$ 539,306	\$ (210,694)	\$ 555,170
Other operating revenues	\$ 173,000	\$ 111,904	\$ (61,096)	\$ 124,800
Total operating revenues	\$ 923,000	\$ 651,211	\$ (271,789)	\$ 679,970
Operating expenses				
Salaries, wages, and employee benefits	\$ 488,850	\$ 430,909	\$ 57,941	\$ 393,314
General and administrative	\$ 100,000	\$ 86,237	\$ 13,763	\$ 75,537
Supplies and maintenance	\$ 235,650	\$ 199,730	\$ 35,920	\$ 199,003
Lease expense	\$ 13,050	\$ 20,994	\$ (7,944)	\$ 13,008
Depreciation and amortization	\$ 256,200	\$ 252,849	\$ 3,351	\$ 294,740
Total operating expenses	\$ 1,093,750	\$ 990,719	\$ 103,031	\$ 975,602
Operating loss	\$ (170,750)	\$ (339,508)	\$ (168,758)	\$ (295,633)
Non-operating income (expense)				
Interest expense	\$ (263,450)	\$ (265,125)	\$ (1,675)	\$ (263,133)
Property taxes	\$ 385,250	\$ 398,339	\$ 13,089	\$ 385,260
Gain (loss) on sale of assets	\$ (33,000)	\$ (32,921)	\$ 79	\$ 9,787
Total non-operating income (expense)	\$ 88,800	\$ 100,293	\$ 11,493	\$ 131,914
Loss before operating transfers	\$ (81,950)	\$ (239,215)	\$ (157,265)	\$ (163,719)
Operating transfers				
Transfers in	\$ -	\$ 371,726	\$ 371,726	\$ -
Transfers out	\$ (2,550)	\$ (2,332)	\$ 218	\$ (134)
Net operating transfers	\$ (2,550)	\$ 369,395	\$ 371,945	\$ (134)
Net income (loss)	\$ (84,500)	\$ 130,180	\$ 214,680	\$ (163,853)
Net assets at beginning of year	\$ 3,630,940	\$ 3,630,940		\$ 3,794,793
Net assets at end of year	\$ 3,546,440	\$ 3,761,120		\$ 3,630,940

MOTOR POOL FUND

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

ASSETS	2011	2010
Current assets		
Cash and cash equivalents	\$ 126,434	\$ 71,316
Accounts receivable	\$ -	\$ 19,050
Prepaid expenses	\$ -	\$ 2,488
Total current assets	<u>\$ 126,434</u>	<u>\$ 92,854</u>
Capital assets		
Vehicles	\$ 521,166	\$ 489,363
Less: Accumulated depreciation	\$ (269,429)	\$ (210,183)
Net capital assets	<u>\$ 251,737</u>	<u>\$ 279,180</u>
Total assets	<u><u>\$ 378,171</u></u>	<u><u>\$ 372,034</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 9,218	\$ 3,081
Total liabilities	<u>\$ 9,218</u>	<u>\$ 3,081</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 251,737	\$ 279,180
Unrestricted	\$ 117,216	\$ 89,773
Total net assets	<u><u>\$ 368,953</u></u>	<u><u>\$ 368,953</u></u>

MOTOR POOL FUND

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

For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2010</u>
Operating revenues, vehicles	\$ -	\$ -	\$ -	\$ -
Operating expenses				
Vehicle maintenance	\$ 70,450	\$ 69,908	\$ 542	\$ 55,927
Depreciation	\$ 89,000	\$ 81,092	\$ 7,908	\$ 88,324
Total operating expenses	<u>\$ 159,450</u>	<u>\$ 151,000</u>	<u>\$ 8,450</u>	<u>\$ 144,251</u>
Operating income (loss)	<u>\$ (159,450)</u>	<u>\$ (151,000)</u>	<u>\$ 8,450</u>	<u>\$ (144,251)</u>
Non-operating income (expense)				
Gain (loss) on sale of assets	\$ 6,000	\$ 13,467	\$ 7,467	\$ 23,354
Total non-operating income (expense)	<u>\$ 6,000</u>	<u>\$ 13,467</u>	<u>\$ 7,467</u>	<u>\$ 23,354</u>
Loss before operating transfers	<u>\$ (153,450)</u>	<u>\$ (137,533)</u>	<u>\$ 15,917</u>	<u>\$ (120,897)</u>
Operating transfers				
Transfers in	\$ 153,450	\$ 137,533	\$ (15,917)	\$ 120,897
Net operating transfers	<u>\$ 153,450</u>	<u>\$ 137,533</u>	<u>\$ (15,917)</u>	<u>\$ 120,897</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets at beginning of year	<u>\$ 368,953</u>	<u>\$ 368,953</u>		<u>\$ 368,953</u>
Net assets at end of year	<u>\$ 368,953</u>	<u>\$ 368,953</u>		<u>\$ 368,953</u>

ADDITIONAL SCHEDULES

These schedules are included to provide additional information for analysis.

November 7, 2011

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

Dear Mayor and Council:

In planning and performing our audit of the financial statements of the Cedar Hills City, UT (the City) as of and for the year ending June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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

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

CURRENT YEAR FINDING

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

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

Recommendation:

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

Management response:

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

PRIOR YEAR FINDINGS

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

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

Recommendation:

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

Management response:

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

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

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

Recommendation:

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

Management response:

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

In conclusion, we wish to recognize Rebecca Tehero and the accounting staff for their excellent services provided to Cedar Hills City. They have been most cooperative in assisting us in the performance of the audit for the 2010-2011 fiscal year. The performance of the Cedar Hills City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

ALLRED JACKSON

A handwritten signature in cursive script that reads "Diana Cannell". The signature is written in black ink and is positioned above the printed name.

Diana Cannell, CPA

CITY OF CEDAR HILLS
Property Tax Levies and Collections

Year End December 31,	Total Taxes Assessed	Current Collections	Delinquent Collections	Total Collected	Percentage of Current Collections to Total Taxes Assessed	Percentage of Total Collections to Total Taxes Assessed
2010	\$ 1,100,578	\$ 1,047,191	\$ 59,634	\$ 1,106,825	95.15%	100.57%
2009	\$ 1,126,749	\$ 1,066,756	\$ 93,429	\$ 1,160,185	94.68%	102.97%
2008	\$ 1,229,918	\$ 1,120,641	\$ 58,390	\$ 1,179,031	91.12%	95.86%
2007	\$ 1,230,464	\$ 1,136,774	\$ 82,326	\$ 1,219,100	92.39%	99.08%
2006	\$ 1,078,665	\$ 993,830	\$ 46,726	\$ 1,040,556	92.14%	96.47%
2005	\$ 452,739	\$ 406,918	\$ 55,237	\$ 462,155	89.88%	102.08%
2004	\$ 414,394	\$ 360,112	\$ 62,539	\$ 422,651	86.90%	101.99%
2003	\$ 411,891	\$ 365,557	\$ 57,270	\$ 422,827	88.75%	102.66%

CITY OF CEDAR HILLS
Information on Water Utility System

There are 2,230 utility connections to the culinary system.

Utility Fees

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

Analysis of funds created with bond issuance:

Construction Fund

Balance at June 30, 2010	\$	248,049
Interest earned	\$	486
Disbursements	\$	(248,535)
Balance at June 30, 2011	\$	<u><u>-</u></u>

Bond Fund

Balance at June 30, 2010	\$	42,495
Deposits	\$	280,164
Interest earned	\$	1
Disbursements	\$	(176,817)
Balance at June 30, 2011	\$	<u><u>145,843</u></u>

Reserve Fund

Balance at June 30, 2010	\$	55,321
Deposits	\$	18,973
Interest earned	\$	1
Disbursements	\$	-
Balance at June 30, 2011	\$	<u><u>74,295</u></u>

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

ADDITIONAL AUDITORS' REPORTS

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Cedar Hills City, Utah (the City) as of and for the year ended June 30, 2011, which collectively comprise the City of Cedar Hills’s basic financial statements and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

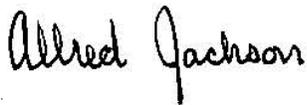
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as finding 2011-1.

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

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

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

November 7, 2011

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

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

We have audited the Cedar Hills City, Utah (the City)'s compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

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

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

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

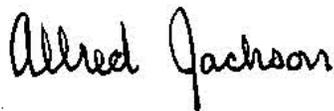
Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, Cedar Hills City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the compliance requirements that are applicable to each major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in our letter to management dated November 7, 2011 as item 2011-1.

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

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

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

November 7, 2011