

To: Judge Samuel McVey
Presiding Judge of the Fourth District Court
125 North 100 West
Provo, UT 84601

Date: January 23, 2012

Subject: Possible Unlawful handling of the City of Cedar Hills public business.

Dear Judge McVey,

We feel compelled to exercise our rights under Utah State Code, Title 77-6-1 through 77-6-4, to file this complaint with the Court, in the interest of open, honest and ethical government in behalf of all Cedar Hills residents. We petition the Court to hold those who have abused government power accountable for their actions.

At a time of great economic hardship, with many families struggling to keep their homes and jobs, and many city governments throughout Utah cutting back expenditures, Cedar Hills government seems to have lost touch with financial realities and is instead growing its burden on its citizens with indefensible waste, higher fees, and overly generous compensation for some city employees. We need protection from our local government.

As citizens and taxpayers of the City of Cedar Hills, we are very concerned that evidence is growing that our City Manager and Mayor may have operated outside City and State law on numerous occasions and we request an investigation into possible "high crimes and misdemeanors".

10-3-826. Official neglect and misconduct class A misdemeanor -- Removal from office.

In case any municipal officer shall at any time wilfully omit to perform any duty, or wilfully and corruptly be guilty of oppression, malconduct, misfeasance, or malfeasance in office, the person is guilty of a class A misdemeanor, shall be removed from office, and is not eligible for any municipal office thereafter.

If one or more of the following **List of Complaints** is proven to be true, we would like the following officials and/or staff to be removed from office and/or city employment under **Utah Code 10-3-826**:

Konrad Hildebrandt (City Manager)

Eric Richardson (Mayor)

Some possible infractions to investigate include:

LIST OF COMPLAINTS

1. **MISAPPROPRIATION OF FUNDS** - Transferring \$371,726 from "Recreation and Pool" facilities impact fees to the golf course income statement to change the loss into a profit. (see page 5)

2. **MALFEASANCE** - Unlawfully implementing a \$9,000 salary increase, and expansion of benefits for City Manager without required vote of Council and signed current contract. *(see page 6)*
3. **MALCONDUCT** - Misleading citizens with the City Newsletter, and withholding required Council vote with intent to affect an election. *(see page 7)*
4. **WITHHOLDING PUBLIC INFORMATION** - from citizens' GRAMA requests and written questions. *(see page 9)*
5. **MISFEASANCE** - Numerous changes to Personnel Policies and Procedures without required authorizing vote of the Council. *(see page 10)*
6. **OPPRESSION** - Cedar Hills residents and city employees have been oppressed by City Manager and Mayor and related mis-use of funds. *(see page 11)*

Furthermore, despite efforts on the part of numerous Cedar Hills residents to alert the City Council, they have failed to see, understand or address these problems under the laws they are required to uphold as part of their oath of office. Therefore, we seek the help of the Court under State laws designed to protect citizens from abuse of government power by those to whom it was loaned and entrusted, by requiring investigation that may result in removal of government officers for "high crimes and misdemeanors or malfeasance in office." (U.S. and Utah Constitutions)

Additionally, the following list of Additional Complaints should be considered:

ADDITIONAL COMPLAINTS TO BE CONSIDERED

- ◆ Breaking of Open Meetings law by closing public meetings and unlawfully discussing items not allowed under Executive Session law.
- ◆ Intentionally hiding and obfuscating financial data regarding city projects
- ◆ Paying employees for hours not worked
- ◆ Personal use of city equipment
- ◆ Council approving inaccurately written City Council Meeting minutes
- ◆ Circumventing City Ordinance requiring vote for new golf course clubhouse and wedding reception center, by misusing impact fees collected for a swimming pool and recreation center
- ◆ Admitted conspiracy to thwart citizens initiative petition process
- ◆ Use of City equipment to help and favor certain candidates during elections
- ◆ Improperly hiring employees without proper notice to public of position opening
- ◆ Exposing the City to litigation by not obeying ADA laws via "waiting until they sue"

- ◆ Not properly securing building permit for the golf clubhouse and wedding reception center
- ◆ Nepotism
- ◆ Mis-informing certain candidates in order to affect an election
- ◆ Election tampering
- ◆ Oppressing candidates (undue use of legal authority)
- ◆ Oppressing city employees for doing their job according to state law.
- ◆ Mis-informing or not responding to queries by Press

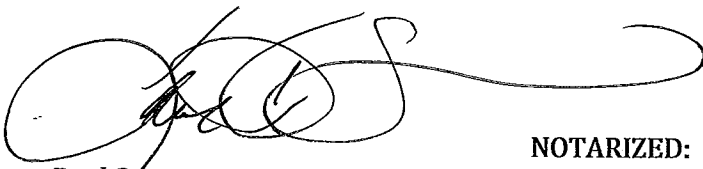
We trust that an investigation allowing city employees to offer confidential testimony, affidavit, and documents without jeopardizing their employment, may reveal other possible infractions.

We invite you to look into this matter. As citizens of the City of Cedar Hills, we have come to the conclusion that we need intervening help from outside authority.

We have gathered a number of GRAMA requests, emails, circumstantial evidence, audio recordings and other research that could prove helpful, but is not included here. If more information is needed in order to promote the start of an investigation, we will be happy to provide it.

Thank you for your time.

Sincerely,



Paul Sorensen
 4078 W Oak Rd N
 Cedar Hills, Utah 84062
 home 801-701-0042
 mobile 949-433-1612



Larisa S. Walker
 Com. exp. 04-12-2014

NOTARIZED:
 In the State of Utah,
 In the County of Utah,
 On the date of 23rd of January 2012,
 Paul Sorensen personally appeared before me, a Notary
 Public for the State of Utah, who acknowledged and
 identified himself and signed the document before me.



Ken Severn
 4511 Landmark Cir.
 Cedar Hills, Utah 84062
 home 801-763-9013



Larisa S. Walker
 Com. exp. 04-12-2014

NOTARIZED:
 In the State of Utah,
 In the County of Utah,
 On the date of 23rd of January 2012,
 Ken Severn personally appeared before me, a Notary
 Public for the State of Utah, who acknowledged and
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LIST OF COMPLAINTS

1. MISAPPROPRIATION OF FUNDS - Transferring \$371,726 from "Recreation and Pool" facilities impact fees to the golf course income statement to change the loss into a profit.

According to the audited financials for 2011, released after the November election, the record shows that \$371,726 was used to subsidize golf course operations. The green fees and pro shop revenue incurring intra-city loans to cover losses falls woefully short each year, though the citizens are led to believe it is a viable, money-maker that is "cash flow positive." (City Newsletter September 2011)

Therefore, in addition to giving tax-payer general funds to the golf course and calling it "revenue", the City has now initiated a third and new funding mechanism by taking \$371,726 from impact fees collected for "Recreation and Pool" facilities.

Impact fees can only be used "for the specific public facility type for which the fee was collected." (Utah Code 11-36a-602) The City's mis-categorization of funds warrants an investigation to determine if this was indeed a misappropriation of funds.

Cedar Hills residents already suffer under high property tax rates and fees, with the golf course trending to perpetual debt. Thomas Jefferson said, "To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical."

We believe this fund transfer mis-categorization could not have happened without the Mayor and/or the City Manager's authorizing the action. The trail that leads to this conclusion was not easy to follow because of how the funds were moved around. The clues leading us to this discovery were hidden in the coding tabs in the **un**-audited financials, which explained confusing portions of the final audited financials. Please find that trail detailed in accounting terms with pages from the audited and un-audited 2011 financials, in the APPENDIX (*pages 16-29*). We conclude:

- ◆ The City changed the category type of transfer within the audited statement from Capital to Non-Capital.
- ◆ The City claims that a transfer of funds from non-golf activities is a golf income/profit.
- ◆ The City does not specifically identify the source of the transferred amount.
- ◆ The City appears to be sourcing the transfer from the tax-payer paid "Recreation and Pool" impact fee for facilities. By law, the funds can only be used for the specific purpose which they were collected. Golf operations is not a "Recreation and Pool" facility.
- ◆ Cedar Hills citizens are being misled as to the financial status and the profitability of the golf course, to the monetary benefit of others (golfers) rather than for the citizens from whom it was collected.

2. **MALFEASANCE - Unlawfully implementing a \$9,000 salary increase, and expansion of benefits for City Manager without required vote of Council and signed current contract**

State and City Codes requires that the City Manager's compensation be voted on by the City Council which codifies the "fixed" amount by ordinance, "after ... the public hearing" on the matter. (City Ord. 11-20-2001A, 11-20-2001)

Mayor Eric Richardson and City Manager Konrad Hildebrandt failed to fulfill their legal duties and requirements under the law when compensation is "changed or amended", prior to implementing a \$9,000 pay raise that began July 3, 2011 and other benefits in behalf of the City Manager.

Additionally, GRAMA requests to date show no signed contract that takes into account this raise, nor a public hearing with public vote on the this issue, nor pay increase authorizing ordinance passed as required by law. (Utah Code 10-3-818. Salaries in municipalities) We can find no record of a public hearing or vote. This malfeasance has continued since 2002. The "changes and amendments" to the contract have not been signed and updated since the original 2002 contract.

According to October 4, 2011 City Council Meeting Minutes, Council members acknowledged they should have been "consolidating" the City Manager's contract each year, but concluded it did not want to vote to codify the "agreement" at this meeting so that it would not be an "election issue" in the forthcoming November vote, but planned to "codify" it in the new year with the new Council. The Mayor acknowledged intentionally excluding the new contract from the Council's packet specifically so they could not vote on it.

A GRAMA request for all of the City Manager's contracts provided only one from January 2002, which "fixed" his pay at \$63,000. Since the original 2002 contract, no new signed and updated contract has ever been voted on, signed, nor ordinance allowing such passed, though numerous increases in salary and benefits have regularly accrued to a current level now at \$112,000 plus benefits that total over \$155,000. (see *Compensation and 2002 contract in APPENDIX, pages 30-35*)

Therefore, in addition to the Mayor's malfeasance in "*enforcing the laws of the city*", and his duty to, "*Ensure that all the laws and ordinance and resolutions are faithfully executed and observed*," the City Manager also failed in his duty to "*Attend the City Council meetings*" in an "*advisory capacity*" that fulfills his responsibility to "*faithfully execute and enforce all applicable laws, ordinance, rules and regulations...*", as outlined in Cedar Hills City Code (1-6A-6: Powers and Duties).

An opening of Executive Session meeting Minutes and audio recordings may discover if and where such discussions took place unlawfully outside of the public view. (We recommend beginning with the Executive Sessions during City Council Meetings and Work Sessions of October 4 and September 20 of 2011.)

3. **MALCONDUCT - Misleading citizens with the City Newsletter, and withholding required Council vote with intent to affect an election**

Major issues during the 2011 election cycle were Cedar Hills' financial debt, fiscal responsibility or irresponsibility, and the golf course's profitability or lack thereof. It appears that the City published and distributed misleading financial information during an election season in order to influence candidate and voter opinions, and an election outcome.

The front page of the city's September 2011 Newsletter "Our Town", mailed to every Cedar Hills home a few days before the Primary election vote, made the following declaration:

"The City golf course has shown **positive cash flow** from operating activities since 2005 and even had a **cash surplus of over \$90,000** in 2009."

(emphasis in original newsletter – see APPENDIX, page 36)

But, when City officials were interviewed by Daily Herald reporters regarding the above quote the following was reported in a lengthy front page Daily Herald Special Report:

...The golf course has never made a single penny.

... Cedar Hills is regularly borrowing even more cash from other city funds to subsidize the golf course.

That revelation has some elected officials backing away from a statement that was published in the city's September newsletter to residents -- a flat statement that golf course had generated a "surplus." They now admit that any claim of a surplus could be misleading because it suggests to residents that the course is profitable, which it is not.

...The Herald assembled a group from the city to talk about the data. ...At the table with Cedar Hills Mayor Eric Richardson, Councilman Jim Perry, city manager Konrad Hildebrandt and city finance director Rebecca Tehero. After two hours of discussion, most agreed that:

- The statement in the September 2011 newsletter about a golf course surplus was "deceiving and misleading."
- Since 2004, the city has been borrowing money from other city funds to support the golf course

...The overall expense of the course and has never been laid out succinctly for residents.

Candidates for city council and others are saying that touting only golf operations in the September newsletter, without reference to the counterbalancing expense of debt service, is at best misleading and at worse a case of spin designed to influence the election.

That perception might be bolstered by the fact that the statement about a surplus was known to be wrong in advance of publication. In a lengthy email exchange between city finance director Rebecca Tehero and council candidate Paul Sorensen, Tehero wrote that "city staff was aware of the error before printing the newsletter."

No correction was made in the October newsletter.

(Daily Herald - "Money Trap in Cedar Hills" - Nov. 6, 2011 – emphasis added – APPENDIX p 37)

As of today, no correction of the record has been made by the City. For two years citizens have been petitioning their city officials requesting a clear and concise presentation of their "investment" in the city's golf course financial reality since it's opening. When a GRAMA request was made, the City's response was only to reference back to the city financials, which are unclear and confusing, as The Daily Herald reported:

The city borrowed \$1.8 million to keep the golf course above the water line.

A normal resident likely could not figure all this out, and the course has been an ongoing source of contention in the city. ...

...News reporters, have been put off or misled in the past by accounting references that tend to obscure the true health of the golf course. No accurate plain-English description has ever been given.

(The Daily Herald - "Money Trap in Cedar Hills" - Nov. 6, 2011)

In addition to the newsletters, the City Council also withheld a required resolution vote for the City Manager's pay raise discussed in Complaint #2. At the October 4, 2011 City Council meeting the Mayor admitted intentionally excluding the new City Manager contract so action would not be taken. Additionally, the following was transcribed verbatim from the audio (but does not show up in the City Council minutes), wherein Mayor Richardson stated:

"...I think that there's enough things to debate in this election that we don't need to create an issue that doesn't exist, and it seems like this will come up as an election issue. So, I would rather let the candidates debate what I feel are more important issues."

(transcribed from Oct 4, 2011 Council audio at 48:50 minutes – www.CedarHills.org)

Mayor Richardson had no lawful authority to impose what he believes "are more important issues" on an election. The evidence demonstrates willful intent to control information the Mayor admitted could become part of the election debate, and thus may have affected the election.

4. **WITHHOLDING PUBLIC INFORMATION from citizens' GRAMA (Government Records and Management Act) requests or written questions**

A citizen should be able to contact their elected officials or city staff and expect an open, honest, and accurate response. Elected officials and staff are employed by residents whose tax dollars pay their salaries. Accurate and timely information from employee to employer is a reasonable expectation.

State Law also provides a freedom of information guarantee of citizen access to government records through the GRAMA law. (Government Records and Management Act) A citizen's right to access Public information is so significant that the law describes "the public's right of access to information concerning the conduct of the public's business" as a "constitutional right." (Utah Code 63G-2-102-1-a) "...The public's right of easy and reasonable access..." is of such importance, Utah State law requires decisions to "favor public access". (Utah Code 63G-2-102-3-e and City Code 1-8-1) More openness, not less.

Since June of 2009, citizens have been trying to obtain an accurate, simple and understandable clarification as to taxpayer "investment" in the golf course. One attempt was made by Councilman Ken Kirk but was quickly denounced by fellow Councilmen, resulting in no substantive response.

The pattern of stone-walling and ignoring of citizens requests for an accurate reflection of the city finances has not been limited to residents. In 2010, while reporting financial shortfall of municipal golf courses throughout Utah County, the Daily Herald wrote:

Public ire over golf subsidies has perhaps been the loudest in Cedar Hills over the past several years, and during the course of those years the Daily Herald has repeatedly asked the city to provide a history of the city's bailouts to its golf course, which private developers benefited heavily from before leaving the city with the bill. Cedar Hills has never provided the public with the requested history, and that did not change in response to requests for this article, though both city manager Konrad Hildebrandt and Mayor Eric Richardson promised to be forthcoming.

But Richardson has not returned any calls from the Daily Herald...

(The Daily Herald - "Local Cities Drop Millions to Subsidize Golf" - Sept. 19, 2010)

When a GRAMA request was made, the City's response was only to reference back to city financials, which are unclear and confusing, as The Daily Herald also reported:

...News reporters have been put off or misled in the past by accounting references that tend to obscure the true health of the golf course. No accurate plain-English description has ever been given.

(The Daily Herald - "Money Trap in Cedar Hills" - Nov. 6, 2011 – APPENDIX pg. 37)

Additionally, a GRAMA request regarding compensation for the City Manager was incomplete having removed the "up to \$45,000" car allowance and "\$100 per month" personal cash allowance.

The City Manager and Mayor have demonstrated a pattern of providing false or fraudulent pretenses, representations, promises or material omissions.

5. **MISFEASANCE -- Numerous changes to Personnel Policies and Procedures without required authorizing vote of the Council**

The Mayor Eric Richardson and City Manager Konrad Hildebrandt are required under City and State statutes to obey and insure that statutes are observed. Not doing so is misfeasance of their duties and responsibilities. Not knowing, understanding or implementing the laws they swore an oath to work under is no excuse and by definition misfeasance of their office.

The City Manager powers and duties are to, "faithfully execute and enforce all applicable laws, ordinances, rules and regulations," and to, "carry out the policies and programs established by the city council". (City Code 1-6A-6) This includes Personnel Policies and Procedures, which when changed, must be re-"established" by resolution and Council vote.

According to a January 6, 2012 citizen GRAMA request six changes to the Personnel Policies and Procedures have been made since Mr. Hildebrandt was hired in 2002, but none have been voted on by the Council.

Mayor Eric Richardson has been negligent in his oversight responsibilities over Mr. Hildebrandt's employee performance. He failed to perform this duty.

If the City Manager has not known that the Personnel Policies and Procedures have been "approved", then he has been working with city employees without proper authority. It is his job to know the legal parameters of his job, and to "advise" the Council accordingly. To not do so is misfeasance of his office.

Similarly, if the Mayor has not known that the Personnel Policies and Procedures have been "approved", then he has allowed the employee under his direction to work with city employees without proper and lawful Council authority. It is his job to know the legal parameters of his job, know and operate under City and State statute, and to set the Council agendas accordingly; and not doing so is misfeasance of his office.

6. **OPPRESSION of Cedar Hills residents and city employees by City Manager and Mayor and related mis-use of funds**

The City Manager and Mayor have acted in an oppressive manner towards citizens seeking public information.

Example A. – When Cedar Hills resident Jerry Dearing went into the city offices to pick up a GRAMA report regarding the City Manager's pay and contract, City Manager Konrad Hildebrandt interrogated and treated him unprofessionally demanding, "What are you doing?", "What is your end game?", and "When is this going to stop?" Public information is required to be made available to the public. Those seeking public information should not be subject to ridicule or intimidation.

Example B. – The City, under Mr. Hildebrandt's direction, harassed certain candidates for their campaign signs lawfully posted on private property near the City building, under claims of illegal posting; and briefly removed one sign. When unsuccessful, the City claimed to have had the property surveyed for a sidewalk, claiming an easement and required the removal of the campaign signs on October 25, 2011, two weeks prior to the General election. As of today, the side walk has yet to be constructed.

Example C. – Cedar Hills resident Ken Cromar made a GRAMA request regarding the number of yearly paid rounds of golf, but was refused, claiming the records were protected. The City attorney Eric Todd Johnson advised that he could see no reason to refuse the records being requested. When the residents reminded that the required information be provided within the 10-day "timeframe established by GRAMA law," he was met with a letter from a new attorney (Julia Kyte of Stirba & Associates) hired to intervene. The citizen wrote the attorney asking not to be contacted again, explaining, "I will continue to deal directly with the City and its officials as allowed and required by law." Mr. Cromar sent an email to the City Manager, city attorney, City Recorder, and copied the Mayor and five Council members writing: "...This kind of financial and legal bullying is not fair. It's not right."

Over two months after they were originally requested, and after wasteful attorney fees, the GRAMA information was finally provided.

Example D. – The City Manager took control of all public information. A city employee declined to answer a question, and wrote:

"Staff has been asked to refer questions from any candidate to the City Manager. We want to make sure that all responses are handled appropriately through the correct channels."

Apparently, only certain candidates were required to "refer questions to the City Manager", as a January 6, 2012 GRAMA request shows that no GRAMA requests had ever been made by the candidates publicly endorsed by the Mayor and City Council. So, certain citizens in Cedar Hills are treated "more equal" (Animal Farm) than others, and enjoy easier access.

Example E – It appears Mayor Eric Richardson inappropriately reprimanded City Recorder Kim Holindrake during a City Council Meeting for advising the Council regarding her duties and responsibilities to maintain a current contract for the City Manager on file. She informed the Mayor that she did not have a contract more recent than 2002.

The City Recorder was reprimanded, told not to come to Council meetings, and that someone else would fulfill her regular duties as the City Recorder.

According to City records for October 4, 2011, the minutes show that Kim Holindrake attended the meeting in an unofficial capacity as a resident. The next day Mayor Eric Richardson lodged a complaint with the City Manager against her for insubordination, and had the City Manager put her on a six-month probation period which began immediately and is still in force.

We believe the City Recorder and many city employees to be honest and honorable in their attempt to ethically and lawfully serve the residents of Cedar Hills, and given the opportunity to confidentially discuss items would provide additional discoveries of unethical actions.

APPENDIX

Cedar Hills Golf Course Audited Financials 2011 - Analysis

Background: Since the inception of the golf course in 2004, the reporting of profitability has been obfuscated by two methods, [1] by claiming that tax-payer subsidy of property tax transfer was operating income and subsequently including it as a non-operating revenue; and [2] covering the annual losses by incurring a loan from the city that was titled with a obscure term "Outstanding Checks in Excess of Deposits."

Problem: The 2011 Financials have created a third source of subsidy that further exasperates the obfuscation of understandable reporting of the profitability of the golf course. Further, the source of the subsidy is highly questionable and inappropriate.

Fact: (pages of the Audited Financials 2011)

- Operating Transfer of \$371,726 prior to calculation of Net Income (page 58).
- **Capital Assets Activity** identified \$371,726 "to begin construction of the Community Recreation Center" (page 8).
- Inter-fund Activity defines transfers to "use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations." (page 41)
- "The City also has an internal service fund which is accounted for like proprietary funds using the economic resources measurement focus." (page 28)
- Proprietary Funds Statement of Cash Flow indicates that \$371,726 is a "Cash paid from other funds" from "Cash Flows from **non-capital** financing activities" into the Golf Course Fund. (page 23)

Observation: Transfer is defined as **capital** on page 8 and **non-capital** on page 23.

Question: From where does the \$371,726 come?

Although it has not been identified in the Audited Statement, the unaudited 2011 Statement, provided by Cedar Hills Director of Finance on October 11, 2011, identifies funds by account number, for administrative use. Note, the **unaudited** transfer amount was \$195,490.48. (pages from unaudited 2011 statement)

- Transfer Out of \$195,490.48 from the Capital Project Fund for 12 months ending June 30, 2011. (page 11)
- **40-96-115 "Transfer to Community Rec Fund"** of \$195,490.48 from a budget of \$2,500,000 leaving a unexpended amount of \$2,304,509.52.

- Transfer of **Non-Operating Revenue** \$195,490.48 into the Golf Course Fund for the 12 months ending June 30, 2011. (page 22)
- 75-35-100 "Transfer in from Fund 40" of \$195,490.48

Observation: Without details from City, it appears that a \$2.5 million **capital fund** is the source of subsidy for Community Rec Fund. The subsidy is renamed in the Golf Fund as **non-operating revenue**.

Conclusion:

- ◆ The City changes the type of transfer within the audited statement from Capital to Non-Capital
- ◆ The City claims that a transfer of funds from non-golf activities/fund is a golf income/profit.
- ◆ The City does not identify the source of the transferred amount.
- ◆ The City appears to be sourcing the transfer from the tax-payer paid "Recreation and Pool" impact fee for facilities. By law, the funds can only be used for the specific purpose which they were collected. Golf operations is not a "Recreation and Pool" facility.
- ◆ Cedar Hills citizens are being misled as to the financial status and the profitability of the golf course, to the monetary benefit of others (golfers) rather than for the citizens for whom it was collected.

NOTE: The following ten pages
Are Audited 2011 financials.

2011 Audited
CEDAR HILLS

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

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	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>2010</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.

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	<u>\$ 2,634,734</u>	<u>\$ 651,211</u>	<u>\$ 3,285,945</u>	<u>\$ -</u>	<u>\$ 3,063,908</u>
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	<u>\$ 2,477,153</u>	<u>\$ 990,719</u>	<u>\$ 3,467,871</u>	<u>\$ 151,000</u>	<u>\$ 3,063,764</u>
Operating income (loss)	<u>\$ 157,582</u>	<u>\$ (339,508)</u>	<u>\$ (181,926)</u>	<u>\$ (151,000)</u>	<u>\$ 144</u>
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)	<u>\$ (335,953)</u>	<u>\$ 100,293</u>	<u>\$ (235,660)</u>	<u>\$ 13,467</u>	<u>\$ (208,717)</u>
Income (loss) before capital contributions and operating transfers	<u>\$ (178,372)</u>	<u>\$ (239,215)</u>	<u>\$ (417,586)</u>	<u>\$ (137,533)</u>	<u>\$ (208,573)</u>
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	<u>\$ (140,627)</u>	<u>\$ 369,395</u>	<u>\$ 228,767</u>	<u>\$ 137,533</u>	<u>\$ (60,775)</u>
Net income (loss)	<u>\$ (296,409)</u>	<u>\$ 130,180</u>	<u>\$ (166,229)</u>	<u>\$ -</u>	<u>\$ (206,362)</u>
Net assets at beginning of year	<u>\$ 20,251,223</u>	<u>\$ 3,630,940</u>		<u>\$ 368,953</u>	
Net assets at end of year	<u>\$ 19,954,814</u>	<u>\$ 3,761,120</u>		<u>\$ 368,953</u>	
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			<u>\$ (166,229)</u>		<u>\$ (206,362)</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		
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	\$ 721,818	\$ (82,871)	\$ 638,948	\$ (61,283)	\$ 703,189
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	\$ (140,627)	\$ 767,986	\$ 627,359	\$ 137,533	\$ 324,545
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	\$ (643,358)	\$ (711,636)	\$ (1,354,993)	\$ (21,132)	\$ (1,751,091)
Cash flows from investing activities					
Interest income	\$ 6,963	\$ -	\$ 6,963	\$ -	\$ 10,764
Net cash from investing activities	\$ 6,963	\$ -	\$ 6,963	\$ -	\$ 10,764
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	\$ 2,100,354	\$ (1,700,970)	\$ 399,384	\$ 126,434	\$ 481,108
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	\$ 2,100,354	\$ (1,700,970)	\$ 399,384	\$ 126,434	\$ 481,108

See accompanying notes to financial statements.

CITY OF CEDAR HILLS
Notes to Financial Statements

June 30, 2011

Sewer and Water Fund

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

Golf Course Fund

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

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

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

Motor Pool Fund

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

Measurement Focus/Basis of Accounting

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

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

CITY OF CEDAR HILLS
Notes to Financial Statements
June 30, 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	\$ 681,118	\$ 681,118

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.

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	Budget	Actual	Variance	2010
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	\$ 89,234	\$ 126,725	\$ 37,491	\$ 198,852
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	\$ 3,327,070	\$ 301,329	\$ 3,025,741	\$ 328,224
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)	\$ (2,244,530)	\$ (199,868)	\$ 2,044,662	\$ 1,026,067
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>

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	\$ 501,373	\$ 539,638
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	\$ 11,145,525	\$ 11,031,651
Other noncurrent assets		
Bond costs	\$ 118,827	\$ 118,827
Less: Accumulated amortization	\$ (23,219)	\$ (19,121)
Total noncurrent assets	\$ 95,608	\$ 99,705
Total assets	\$ 11,742,506	\$ 11,670,995

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	\$ 2,350,735	\$ 2,095,500
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	\$ 5,630,651	\$ 5,944,554
Total liabilities	\$ 7,981,386	\$ 8,040,055
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	\$ 3,761,120	\$ 3,630,940

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2010</u>
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	<u>\$ 923,000</u>	<u>\$ 651,211</u>	<u>\$ (271,789)</u>	<u>\$ 679,970</u>
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	<u>\$ 1,093,750</u>	<u>\$ 990,719</u>	<u>\$ 103,031</u>	<u>\$ 975,602</u>
Operating loss	<u>\$ (170,750)</u>	<u>\$ (339,508)</u>	<u>\$ (168,758)</u>	<u>\$ (295,633)</u>
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)	<u>\$ 88,800</u>	<u>\$ 100,293</u>	<u>\$ 11,493</u>	<u>\$ 131,914</u>
Loss before operating transfers	<u>\$ (81,950)</u>	<u>\$ (239,215)</u>	<u>\$ (157,265)</u>	<u>\$ (163,719)</u>
Operating transfers				
Transfers in	\$ -	\$ 371,726	\$ 371,726	\$ -
Transfers out	\$ (2,550)	\$ (2,332)	\$ 218	\$ (134)
Net operating transfers	<u>\$ (2,550)</u>	<u>\$ 369,395</u>	<u>\$ 371,945</u>	<u>\$ (134)</u>
Net income (loss)	<u>\$ (84,500)</u>	<u>\$ 130,180</u>	<u>\$ 214,680</u>	<u>\$ (163,853)</u>
Net assets at beginning of year	<u>\$ 3,630,940</u>	<u>\$ 3,630,940</u>		<u>\$ 3,794,793</u>
Net assets at end of year	<u>\$ 3,546,440</u>	<u>\$ 3,761,120</u>		<u>\$ 3,630,940</u>

NOTE: The following four pages are UN-audited 2011 financials

CITY OF CEDAR HILLS
REVENUES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING JUNE 30, 2011

*UNaudited
2011
CEDAR HILLS*

GOLF COURSE FUND

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEARNED	PCNT
<u>GOLF REVENUE</u>					
75-30-100 GREEN FEES	491,760.44	491,760.44	680,000.00	188,239.56	72.3
75-30-300 PRACTICE RANGE	26,395.94	26,395.94	30,000.00	3,604.06	88.0
75-30-400 PRO SHOP REVENUE	77,726.71	77,726.71	110,000.00	32,273.29	70.7
75-30-500 SNACK SHACK & CONCESSIONS	29,435.19	29,435.19	55,000.00	25,564.81	53.5
75-30-600 SEASON PASSES	21,150.00	21,150.00	40,000.00	18,850.00	52.9
75-30-750 SUNSET ROOM RENTAL	4,742.50	4,742.50	8,000.00	3,257.50	59.3
TOTAL GOLF REVENUE	651,210.78	651,210.78	923,000.00	271,789.22	70.6
<u>NON-OPERATING REVENUE</u>					
* 75-35-100 TRANSFER IN FROM FUND 40	195,490.48	195,490.48	.00	(195,490.48)	.0
75-35-400 2005 GO BOND - PROPERTY TAXES	398,339.12	398,339.12	385,250.00	(13,089.12)	103.4
TOTAL NON-OPERATING REVENUE	593,829.60	593,829.60	385,250.00	(208,579.60)	154.1
TOTAL FUND REVENUE	1,245,040.38	1,245,040.38	1,308,250.00	63,209.62	95.2

CITY OF CEDAR HILLS
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING JUNE 30, 2011

GOLF COURSE FUND

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
<u>GOLF PAYROLL</u>					
75-43-110 SALARY & WAGES (FT)	204,819.20	204,819.20	206,000.00	1,180.80	99.4
75-43-111 OVERTIME	93.16	93.16	1,000.00	906.84	9.3
75-43-120 SALARY & WAGES (PT)	104,417.61	104,417.61	150,000.00	45,582.39	69.6
75-43-150 EMPLOYEE BENEFITS	121,578.73	121,578.73	131,850.00	10,271.27	92.2
TOTAL GOLF PAYROLL	430,908.70	430,908.70	488,850.00	57,941.30	88.2
<u>CLUBHOUSE EXPENSES</u>					
75-50-100 GOLF SUPPLIES	7,710.11	7,710.11	10,000.00	2,289.89	77.1
75-50-200 UTILITIES	22,351.50	22,351.50	27,000.00	4,648.50	82.8
75-50-400 MISCELLANEOUS EXPENSES	1,725.19	1,725.19	2,500.00	774.81	69.0
75-50-500 SNACK SHACK & CONCESSIONS	23,198.08	23,198.08	34,000.00	10,801.92	68.2
75-50-600 CREDIT CARD FEES	13,739.05	13,739.05	18,000.00	4,260.95	76.3
75-50-700 PRO SHOP	41,972.60	41,972.60	45,000.00	3,027.40	93.3
75-50-800 SUNSET ROOM	339.58	339.58	340.00	.42	99.9
75-50-900 SNACK SHACK	7,733.02	7,733.02	8,000.00	266.98	96.7
TOTAL CLUBHOUSE EXPENSES	118,769.13	118,769.13	144,840.00	26,070.87	82.0
<u>GOLF COURSE OPERATING EXPENSES</u>					
75-60-100 REPAIRS & MAINTENANCE - COURSE	35,157.43	35,157.43	37,500.00	2,342.57	93.8
75-60-200 FERTILIZER & CHEMICALS	25,888.91	25,888.91	27,000.00	1,111.09	95.9
75-60-300 WATER PUMPING COSTS	11,647.69	11,647.69	20,000.00	8,352.31	58.2
75-60-500 PETROLEUM & OIL	11,611.29	11,611.29	14,000.00	2,388.71	82.9
75-60-600 EQUIPMENT REPAIR & REPLACEMENT	30,642.04	30,642.04	35,560.00	4,917.96	86.2
75-60-700 EQUIPMENT RENTAL	1,086.17	1,086.17	2,650.00	1,563.83	41.0
75-60-750 INSURANCE	2,092.88	2,092.88	2,250.00	157.12	93.0
75-60-900 REPAIRS & MAINTENANCE - CARTS	312.02	312.02	750.00	437.98	41.6
TOTAL GOLF COURSE OPERATING EXPENSES	118,438.43	118,438.43	139,710.00	21,271.57	84.8
<u>MANAGEMENT EXPENSES</u>					
75-70-100 DUES & SUBSCRIPTIONS	3,517.06	3,517.06	3,500.00	(17.06)	100.5
75-70-200 PRINTING	587.00	587.00	600.00	13.00	97.8
75-70-300 EDUCATION & TRAINING	913.92	913.92	1,000.00	86.08	91.4
75-70-400 LICENSES & FEES	1,000.00	1,000.00	2,000.00	1,000.00	50.0
75-70-500 COMPUTERS & PHONES	4,832.67	4,832.67	6,000.00	1,167.33	80.5
75-70-600 ADVERTISING	37,908.25	37,908.25	38,000.00	91.75	99.8
TOTAL MANAGEMENT EXPENSES	48,758.90	48,758.90	51,100.00	2,341.10	95.4

CITY OF CEDAR HILLS
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING JUNE 30, 2011

GOLF COURSE FUND

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
<u>NON-OPERATING EXPENSES</u>					
75-80-200 CLUBHOUSE LEASE PAYMENT	20,994.46	20,994.46	13,050.00	(7,944.46)	160.9
75-80-300 CART LEASE - INTEREST	14,487.26	14,487.26	14,500.00	12.74	99.9
75-80-400 EQUIPMENT LEASE - INTEREST	2,804.74	2,804.74	2,850.00	45.26	98.4
75-80-450 TRUSTEE FEES	450.00	450.00	450.00	.00	100.0
75-80-500 2005 GO BOND - INTEREST	242,620.00	242,620.00	242,650.00	30.00	100.0
75-80-501 AMORTIZATION - BOND COSTS	4,097.48	4,097.48	4,100.00	2.52	99.9
75-80-505 INTEREST EXPENSE	4,763.20	4,763.20	3,000.00	(1,763.20)	158.8
75-80-550 DEPRECIATION - GOLF	248,751.53	248,751.53	252,100.00	3,348.47	98.7
75-80-900 LOSS/(GAIN) ON SALE OF ASSET	32,920.83	32,920.83	33,000.00	79.17	99.8
75-80-911 TRANSFER TO MOTOR POOL FUND	2,331.83	2,331.83	2,550.00	218.17	91.4
TOTAL NON-OPERATING EXPENSES	574,221.33	574,221.33	568,250.00	(5,971.33)	101.1
TOTAL FUND EXPENDITURES	1,291,096.49	1,291,096.49	1,392,750.00	101,653.51	92.7
NET REVENUE OVER EXPENDITURES	(46,056.11)	(46,056.11)	(84,500.00)	(38,443.89)	(54.5)

CITY OF CEDAR HILLS
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING JUNE 30, 2011

CAPITAL PROJECT FUND

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
<u>CAPITAL FACILITIES</u>					
40-77-720 PUBLIC WORKS BUILDING	35,047.08	35,047.08	35,000.00	(47.08)	100.1
TOTAL CAPITAL FACILITIES	35,047.08	35,047.08	35,000.00	(47.08)	100.1
<u>STREET PROJECTS</u>					
40-78-731 SIDEWALK PROJECTS	4,009.70	4,009.70	15,000.00	10,990.30	26.7
40-78-778 SPEED TABLE	4,200.00	4,200.00	25,000.00	20,800.00	16.8
40-78-779 STREET LIGHTS	10,286.21	10,286.21	25,000.00	14,713.79	41.1
40-78-781 HARVEY BLVD WIDENING	.00	.00	500,000.00	500,000.00	.0
40-78-783 GIS - STREETS	11,273.75	11,273.75	12,200.00	926.25	92.4
TOTAL STREET PROJECTS	29,769.66	29,769.66	577,200.00	547,430.34	5.2
<u>PARK PROJECTS</u>					
40-80-802 DEERFIELD LAND PURCHASE	.00	.00	972,000.00	972,000.00	.0
40-80-803 DEERFIELD PARK - PHASE 1	.00	.00	1,500,000.00	1,500,000.00	.0
40-80-819 SAGE VISTA PARK	20,000.00	20,000.00	20,000.00	.00	100.0
TOTAL PARK PROJECTS	20,000.00	20,000.00	2,492,000.00	2,472,000.00	.8
<u>MISCELLANEOUS CAPITAL PROJECTS</u>					
40-95-190 ORCHARD COMMERCIAL DEVELOPMENT	7,345.00	7,345.00	10,000.00	2,655.00	73.5
40-95-210 ENTRANCE SIGN	.00	.00	3,000.00	3,000.00	.0
TOTAL MISCELLANEOUS CAPITAL PROJECTS	7,345.00	7,345.00	13,000.00	5,655.00	56.5
<u>TRANSFERS OUT</u>					
* 40-96-115 TRANSFER TO COMMUNITY REC FUND	195,490.48	195,490.48	2,500,000.00	2,304,509.52	7.8
TOTAL TRANSFERS OUT	195,490.48	195,490.48	2,500,000.00	2,304,509.52	7.8
<u>BOND PAYMENTS</u>					
40-98-100 1999 PSB BOND - PRINCIPAL	40,000.00	40,000.00	40,000.00	.00	100.0
40-98-105 INTEREST EXPENSE	105,147.30	105,147.30	105,850.00	702.70	99.3
40-98-200 2006 PWB BOND - PRINCIPAL	60,000.00	60,000.00	60,000.00	.00	100.0
40-98-795 TRUSTEE FEES	4,020.00	4,020.00	4,020.00	.00	100.0
TOTAL BOND PAYMENTS	209,167.30	209,167.30	209,870.00	702.70	99.7

City of Cedar Hills, Utah
 City Manager Compensation

Note: We understand that this may not be an official city document, but was created for the GRAMA request.

Original Employment Agreement

Date 1/25/02

Term At the pleasure of the City Council; termination upon notice; 30 days notice by the City Manager

Severance 3 months annual salary; after 1 year (1/25/03), increased to 6 months
 Include all benefits with severance
 Paid severance lump sum within 30 days
 Terminated for cause – no severance

Rate \$63,000 per year + CPI + performance adjustments

Benefits Same as all city employees, start at 5 years for vacation; retirement not less than 10.34% ^{12%} ^{10%} ^{12%}

6647 8251 9855

Further Performance Reviews

2003 No change

7/1/04 Increase to \$6310 per month – market adjustment

7/10/05 Increase to \$6499 per month – market adjustment

2/1/06 Increase to \$6758.26 per month (4% increase); state retirement to 13.03%; severance to 9 months – full benefits ^{102.5%}

2/4/07 Increase salary to range and increase 7% (\$7231.33/mo); increase retirement 2% (15.03%); \$100 per month for miscellaneous pay

2/1/08 Increase to \$8424 per month; CM vehicle allowance up to \$45,000 value per replacement policy; 13 days administrative leave per year

2/1/09 No increase

7/1/09 Market Adjustment 2% NO INCREASE

2/1/10 NO INCREASE

7/1/10 NO INCREASE

Employment Agreement

THIS AGREEMENT, is made and entered into this 25th day of January, 2002, by and between the City of Cedar Hills, Utah, (the "City") and Konrad Hildebrandt ("Employee") both of whom understand as follows:

WITNESSETH

WHEREAS, Employer desires to employ the services of Employee as City Manager of the City; and

WHEREAS, it is the desire of the City Council to provide certain benefits, establish certain conditions of employment and to set working conditions of the employee; and

WHEREAS, it is the desire of the City Council to (1) secure and retain the service of Employee, and to provide inducement for him to remain in such employment; (2) to make possible full work productivity by assuring Employee's morale and peace of mind with respect to future security; and (3) to provide a just means for terminating Employee's services at such time that the City may desire to terminate his employ; and

WHEREAS, Employee desires to accept employment as City Manager of the City of Cedar Hills, Utah.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

Section 1. Duties.

City hereby agrees to employ Employee as City Manager of the City of Cedar Hills, Utah to perform the functions and duties specified by the City Council, and to perform other legally permissible and proper duties and functions as the City Council shall from time to time assign.

Section 2. Term.

- A. Employee serves at the pleasure of the City Council and nothing herein shall be taken to imply or suggest a term of office or guaranteed tenure, subject only to the provisions of City Ordinances and as set forth in this Agreement.
- B. Nothing in this agreement shall prevent, limit or otherwise interfere with the right of the Employee to resign at any time from his position with the City. Employee agrees to give thirty (30) days advance notice of resignation by delivering written notice of such intended resignation to the Mayor.
- C. Employee agrees to remain in the exclusive employ of the City, while employed by the City. The term "employed", however, shall not be construed to include occasional

teaching, writing, speaking, consulting or other business involvement on Employee's time off, even if outside compensation is provided for such services, and such activities are expressly allowed, provided that in no case is any activity allowed which would present a conflict of interest with the City of Cedar Hills, Utah.

- C. This Agreement shall become effective immediately upon approval and shall be in force until such time as modified by mutual consent of the parties or unless terminated as hereinafter provided.

Section 3. Termination and Severance Pay

- A. Employer reserves the right to terminate the Employee at any time, for any reason or for no specific reason. In the event that the Employee is terminated, severance pay shall be allowed Employee, pursuant to the policy set forth below.

Severance pay shall be paid as follows:

- (i.) Severance pay shall be paid in an amount equal to three (3) months annual salary based on the Employee's current salary rate at the time of termination. After one year, Employee's severance shall increase to six (6) months annual salary.
 - (ii) Severance pay shall include those benefits existing at the time of termination, said benefits to continue for the entire severance period (i.e., three months); and,
 - (iii) Severance pay shall be paid as a lump sum payment within thirty (30) days of termination.
 - (iv) If the employee is terminated with cause (i.e. for malfeasance in office, violation of City ordinances or policies, or violations of any local, state, or federal law), Employer shall not be obligated to pay severance.
- B. In the event that City at any time reduces the salary, compensation, or any other benefits of the Employee in a greater percentage than the applicable across-the-board reduction for all employees of the City; or in the event the City refuses to comply with any other provision benefitting Employee as provided by this Agreement; or the Employee resigns following a suggestion, whether formal or informal, by the City Council (or individual members) that he resign, Employee may, at his option, be deemed to be terminated, as provided herein.
- C. Termination will be deemed to occur if Employee is unable to perform duties of City Manager as attested to by medical doctor of City's choosing and Employee is eligible for long term disability benefits.
- D. The terms of this contract shall remain in full force and effect and holds over until employment is terminated by the City or Employee or a new contract has been negotiated and entered into by the City and Employee.
- E. The parties agree that following termination of Employee's employment or upon voluntary resignation, certain responsibilities to the City may continue to exist, such as, assistance with transition to a new administration, completion of work in progress and

pending litigation. The parties agree that during the period of time for which severance benefits are being paid, employee shall assist with such pending matters to such extent as needed and requested by the City, not to exceed ten (10) hours per month at mutually agreeable times, without additional compensation and with reimbursement of actual, necessary expenses. The parties further agree that if additional services are needed during a time period in which no severance is being paid, Employee shall be compensated at either his last base salary (calculated hourly) or his base salary existing at the time services are requested (calculated and paid hourly), at Employee's option with reimbursement of actual expenses.

Section 4. Compensation.

City agrees to pay Employee for his services rendered pursuant hereto an annual base salary of \$63,000 payable in installments at the same time as other employees of the City are paid, for the effective period of this Agreement, and for each year thereafter until and unless modified as provided herein. Salary adjustments shall be subject to annual inflationary adjustments, as well as performance adjustments if deemed necessary by the Mayor and/or City Council. Inflationary adjustments, based on the Salt Lake C.P.I., will begin on July 1, 2002 and occur every July thereafter, provided that the first inflationary adjustment will be based on a partial year of service.

Section 5. Retirement Benefits.

Employee shall be covered and governed by the same Public Employees Retirement Systems (PERS) provisions as all other non-civil service employees and all applicable Social Security provisions; except that Employee's share of PERS contributions be paid by the City into the ICMA-RC. PERS salary shall be based on base salary. Notwithstanding that the retirement contribution is based on the PERS contribution for other employees, the contribution shall not be less than 10.34%.

Section 6. Manager Vehicle

The City agrees to provide Employee with a City-owned vehicle of the Employee's choosing, up to a maximum value of \$375/month in payments. Furthermore, the City agrees to insure the vehicle for business as well as personal use of the Employee and allow the Employee full, unrestricted use for business and personal reasons.

Section 7. Other Benefits.

All provisions, rules and regulations of the City relating to fringe benefits and working conditions as they now exist or hereafter may be amended, also shall apply to Employee as they would to all other full-time employees of the City, in addition to the benefits provided in this Agreement. Provided that, to the extent that seniority affects any benefits (including, but not limited to, earned vacation leave and sick leave) such benefits shall be calculated and granted in accordance with City provisions using an equivalent original employment date of February 1, 1997. The City shall provide a starting vacation balance of 7 days or 56 hours. Additionally, the City shall pay 100% of the premiums for health and dental insurance for the Employee and his family under the City's insurance plans.

Section 8. Residence Requirements.

The City Manager shall be required to live in the City during his tenure. Therefore, City shall pay for the costs of hiring a professional moving company. Employee shall obtain a minimum of three (3) bids from moving companies and the City shall pay the costs of the least expensive, up to a maximum of \$2,500. The City shall grant a reasonable period of time, anticipated to be no later than August 31, 2002, for Employee to make this transition.

Section 9. Performance Evaluation/Annual Contract.

The City Council shall review and evaluate the performance of Employee on or around February 1 of each year in accordance with performance standards established by the City Council. Employee shall provide the City Council with a self-evaluation by January 15 of each year and the City Council shall complete its evaluation of Employee by February 1 of the same year. Percentage salary adjustments shall be based on positive performance appraisals.

Section 10. Professional Development.

City agrees to budget for and to pay for professional dues and subscriptions, reasonable travel and subsistence expenses incurred or used by Employee for participation in one national and one state association, and participation in one national and one state conference annually, as well as any local short courses or seminars that are necessary for his professional development and for the good of the City.

Section 11. Indemnification.

City shall defend, save harmless and indemnify Employee against any tort, professional liability claim or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of Employee's duties as City Manager, whether or not Employee is still employed by the City. City will compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered thereon.

Section 12. Other Terms and Conditions of Employment

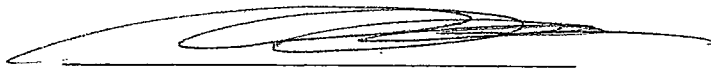
The City Council, in consultation with Employee, shall fix any such other terms and conditions of employment as it may determine from time to time, relating to the performance of Employee, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement, City Ordinances, Utah law, or other law.

Section 13. General Provisions.

- A. The text herein shall constitute a binding agreement between the parties.
- B. This agreement shall be binding upon and inure to the benefit of the heirs at law and executors of Employee
- C. This agreement shall become effective upon adoption and approval by the City Council of the City of Cedar Hills, Utah.

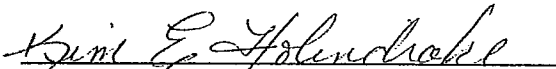

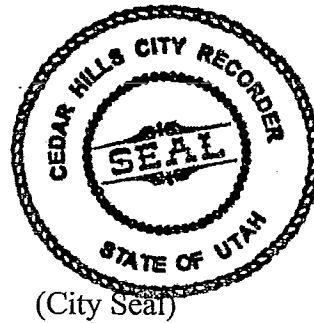
- D. If any provision, or any portion thereof, contained in this agreement is held unconstitutional, invalid or unenforceable, the remainder of this agreement, or portion thereof, shall not be affected and shall remain in full force and effect.
- E. This Agreement replaces all previous contracts, employment agreements or understandings between City and Employee.

IN WITNESS WHEREOF, the City of Cedar Hills, Utah has caused this agreement to be signed and executed in its behalf by its Mayor and duly attested by its City Recorder, and Employee has signed and executed this agreement, both in duplicate, the day and year first above written.



Brad Sears, Mayor
City of Cedar Hills, Utah

ATTEST:


Kim E. Holindrake, City Recorder
Konrad Hildebrandt, City Manager



OUR HOME TOWN

City Newsletter • September 2011

Office Hours:
 Mon-Thurs: 8 to 5
 Fri: 8 to 4
 801-785-9668
www.cedarhills.org

2011 Primary Election—Sept. 13

The City will hold a Primary Election on September 13, 2011, for three City Council positions (4-year terms). The following residents have filed and met the requirements for candidacy:

Trent J. Augustus	Jerry W. Dearing	Jenney Rees
Ken Cromar	Gary Gygi	Paul Sorensen
Curt Crosby	Angela C. C. Johnson	Michael Stuy

What's Inside?

City Meeting Updates	2
Meet the Candidates Night - Wed., Sept. 7	2
Back to School Safety Tips from the Police	3
Flag Football	4
Princess Day	4
Jr. Jazz Basketball	4
Name the CoRC contest	4

Upcoming Events:

Labor Day	Sept 5
City Office CLOSED	
Meet the Candidates Night at Cedar Ridge	Sept 7
Primary Election	Sept 13
7 a.m. to 8 p.m.	
City Council Meeting	Sept 20
7:00 p.m.	
Planning Commission Meeting	Sept 29
6:00 p.m.	

City Phone Numbers:

- Dial 801-785-9668 then ext. number.
- Front Desk, 100
- City Recorder, 101
- Planning, 109
- Business, 110
- Building, 111
- Utility B, 112
- Comm, 113
- Public 1, 114
- Other, 115
- Public 1, 116
- Golf Pro Shop, 785-1111
- Animal Control, 763-3020
- Police, 763-3020

ABSENTEE (EARLY) VOTING

The City of Cedar Hills is a 5th class city, and will therefore conduct absentee (early) voting at the City Office, 3925 W Cedar Hills Drive, prior to the Primary Election. The last day to vote absentee is Friday, September 9 at 4 p.m.

More Information: Additional election information is on the City's Web site (from the home page, click on "Get Involved," then "Election Information"). If you have questions about voting, please contact the City Recorder at 801-785-9668, ext. 101.

LOTS OF GREAT THINGS ARE HAPPENING IN CEDAR HILLS!

Did you know?

- The City of Cedar Hills currently has 2,360 utility accounts and approximately 10,000 residents.
- The City has received the Government Finance Officers Association (GFOA) Distinguished Budget Award in eight of the last nine years.
- The City covers approximately 2.5 square miles and has over 27 miles of the best streets in Utah!
- The number of City employees per 1000 residents has decreased from 2001 to present. The City currently has 23 full-time employees.
- The City has five community parks and three neighborhood parks. Our parks are some of the best manicured parks in Utah.
- The City is currently developing a Splash Pad with an anticipated opening on Memorial Day 2012.
- The City is currently in construction with a Community Recreation Center. This center will house golf functions and will offer a variety of recreational classes including aerobics, zumba, dance, karate, digital photography, gardening, etc. We also would like to provide a competitive climbing course, whiffle ball tournaments, ping pong, etc. The center will also house events, including receptions, family reunions, business meetings, and a Family Grill, where families can eat and youth groups can get an ice cream cone or a shake.
- The City disposed of 3,541 tons of solid waste in 2010 (that is 1.5 tons per household per year) and 232 tons of recycling materials. This diverted 6.15% of the overall tonnage from the landfill and saved approximately 3900 trees. The City is currently modernizing the Southside Commercial District to center, strip mall, antique, sales tax gen- beautiful, groomed the City better.
- The City golf course has shown positive cash flow from operating activities since 2005 and even had a cash surplus of over \$90,000 in 2009.
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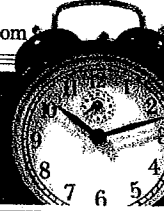
STATE CHAMPS

Timpview girls win 4A state volleyball title | SPORTS

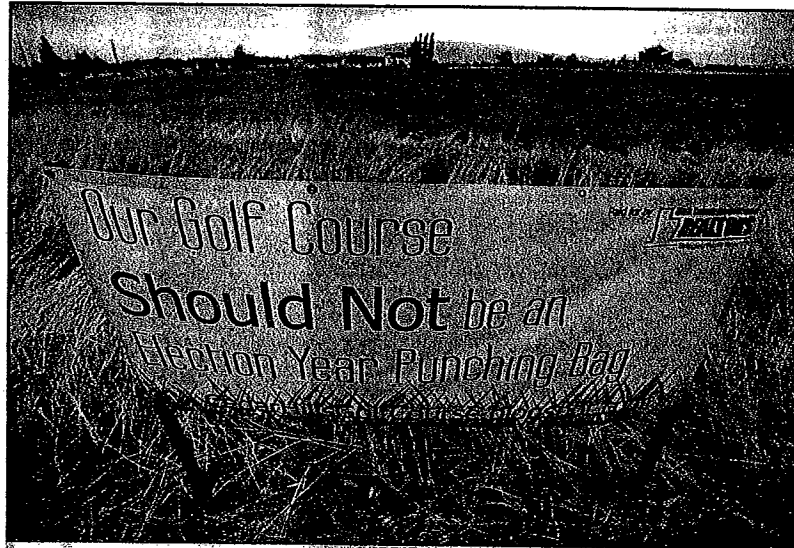


DON'T FORGET

Set your clocks
back one hour



SPECIAL REPORT



A sign posted in Cedar Hills referring to the city's golf course.

MARC JOHNSTON/Daily Herald

MONEY TRAP IN CEDAR HILLS



File photo

Critics say that the Cedar Hills golf course doesn't serve enough residents.

It's not just the bond: Unknown to most voters, city has been borrowing money from itself since 2004 to keep the golf course afloat

Caleb Warnock
DAILY HERALD

Tuesday this week marks another contentious Election Day in Cedar Hills. Over the past 12 months, hundreds of people in this city have signed petitions against a golf course clubhouse, only to see these petitions rejected by elected officials.

It's the latest chapter in a long-running saga that has residents and political candidates alike trying to figure out even the most basic golf question: How much are we spending on this?

They've never received a clear answer in plain English. The golf course was sold to residents in

2001 as a cash cow that would turn great profits. Surveys showed the need for more local golf courses, politicians said at the time. The city will make so much money that property taxes will actually go down.

With that in mind, voters passed a \$7 million bond, 56-44 percent.

Ten million dollars later, the golf course has never made a single penny. An. questions abound over how the course stays afloat.

Now the answer has emerged. In addition to charging residents money to pay back the bond debt — a payment that voters expected — Cedar Hills is regularly borrowing even more cash from other city funds to subsidize the golf course.

Continued on A6

Utah Valley's Newspaper

Daily Herald

Money trap in Cedar Hills

Caleb Warnock - Daily Herald | Posted: Sunday, November 6, 2011 12:04 am |

Related Stories

- [Doublespeak in Cedar Hills](#)
- [Golf course timeline](#)
- [What Cedar Hills candidates are saying about the golf course](#)

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- THAT REVELATION HAS SOME elected officials backing away from a statement that was published in the city's September newsletter to residents -- a flat statement that golf course had generated a "surplus." They now admit that any claim of a surplus could be misleading because it suggests to residents that the course is profitable, which it is not.

In the newsletter, Cedar Hills reported a rosy view of the course to residents, even though it filed other numbers with the state of Utah as required by law, numbers that revealed a much darker picture.

The newsletter proclaimed that "The city golf course has shown positive cash flow from operating activities since

2005 and even had a cash surplus of over \$90,000 in 2009," but the truth is that the course has never logged an overall surplus. It's accounting jargon.

In 2011, for example, taxpayers spent \$207,000 to keep the course operational -- and that is above and beyond the property tax bond repayment money that was approved by voters.

The doublespeak was identified by Cedar Hills resident Rob Crawley, an accountant who is chief financial officer of Burningham Enterprises, a trucking company. To answer questions that had been raised in his own mind, he spent many hours pouring over city records and interpreting them with the help of city staff. This week he provided his final analysis to all Cedar Hills political candidates, to city officials and to the Daily Herald.

Last week, the Herald assembled a group from the city to talk about the data. Crawley attended. He was at the table with Cedar Hills Mayor Eric Richardson, Councilman Jim Perry, city manager Konrad Hildebrandt and city finance director Rebecca Tehero. After two hours of discussion, most agreed that:

- The statement in the September 2011 newsletter about a golf course surplus was "deceiving and misleading."
- Since 2004, the city has been borrowing money from other city funds to support the golf course -- as much as \$700,000 in 2008, and at least \$95,000 in other years. They say that the money is a loan by the city to itself, using its own capital improvement fund as the bank. And it plans to pay the money back to those funds eventually, with interest, through the sale of property around the golf course.
- There are few, if any, palatable choices for the future of the golf course property.

Surplus flip-flop

A city statement that there was any sort of financial "surplus" might suggest to a lay person that the golf course as a whole is in the black when in fact it is deeply in the red. To justify a positive picture, city officials re-categorized major subsidies provided by taxpayer dollars.

Those subsidies are not easy for a non-expert to spot in city spreadsheets, but they emerged in Crawley's analysis.

Careful attention to the city's wording is required to understand the true picture. When the city told residents that golf "has shown positive cash flow from operating activities since 2005" the key words are "from operating activities," which comprise a narrowly defined set of receipts and expenses. It is basically the daily operation, which had both income and expenses -- green fees and rentals on one side of the balance sheet, and maintenance and payroll on the other.

But operating expenses do not include payments on bonded debt or payments on any loans the city gave itself, borrowing from its capital improvements fund. Those are listed elsewhere in the city's audited financial reports. Yet they are clearly part of the overall expense of the course and have never been laid out succinctly for residents.

Candidates for city council and others are saying that touting only golf operations in the September newsletter, without reference to the counterbalancing expense of debt service, is at best misleading and at worse a case of spin designed to influence the election.

That perception might be bolstered by the fact that the statement about a surplus was known to be wrong in advance of publication. In a lengthy email exchange between city finance director Rebecca Tehero and council candidate Paul Sorensen, Tehero wrote that "city staff was aware of the error before printing the newsletter."

"Unfortunately, the majority of residents do not do their homework," Tehero continued, "and you are the only resident who has emailed the city about the discrepancy between the financial statements and the newsletter."

No correction was made in the October newsletter.

When challenged last week, Tehero acknowledged that the words could be misinterpreted.

"I would agree the line is deceiving and misleading," she said in the meeting with the Herald. It could not be confirmed who, exactly, wrote the disputed item. Hildebrandt, the city manager, declined in an email to identify the writer.

Hildebrandt said last week that the city has no obligation to complete the financial picture for residents by telling them that the term "operating activities" is actually a narrow accounting term and that the city had borrowed \$270,000 from other city funds to essentially show the golf course in the black.

Above the costs that are history (such as the general obligation bond payments and depreciation on golf course improvements) taxpayers spent \$136,000 in 2010 and \$180,000 in 2011 to keep the course operational.

Crawley, the trucking company CFO, said the city's audited budget numbers -- if you know how to interpret them -- reveal that the golf course "is not making money" and certainly has nothing approaching a surplus. What the city reported was an attempt "to make people happy about the golf course," he said.

At the Herald meeting, Councilman Perry first said the newsletter statement was "poorly worded" and "could be misconstrued" but the intention was to tell the truth, he said; it was merely an attempt by city staff to highlight a few "great things about Cedar Hills" and should not be taken as political spin. Later, he shifted: "I agree it wasn't transparent. But we have been as transparent as we possibly can," he said.

Mayor Richardson defended the statement about the golf course surplus because there is "no one in the city who believes it is in the black" and residents would understand that "surplus" means the golf course was being kept alive by loans.

He said all the city's audited financial statements are available for the public to look at, either on the state's website or the city's.

Is that information clear enough for an ordinary person to understand? Even accountants were confused. The column of numbers tabulating the city's loans to itself is labeled as "outstanding checks in excess of deposits," which is not a standard accounting term. Both Crawley and an accountant from the Herald staff were mystified by the designation, saying that even trained professionals would not understand that it represents money borrowed internally to prop up the golf course.

"I don't think people knew we have been borrowing this money," Crawley said.

Officials excused themselves by saying that the category label was chosen by the city's professional auditors and was not an attempt to hide the subsidy. Whether the city had an obligation for a plain-English rendition could be disputed.

"I don't think it is controversial," city manager Hildebrandt said. "I think our golf course, compared to every other city's golf course, is night and day better."

But some other cities -- Orem and Eagle Mountain, for example -- spend no taxpayer dollars whatsoever on their golf courses. Cities across Utah County do routinely slide money between funds to help meet immediate needs. Spanish Fork, for example, takes money from utility bills to support its golf course; and Provo borrowed millions from its energy fund to tide over the finances of its troubled broadband network, iProvo.

Cedar Hills officials said last week that borrowed subsidy money has been coming from capital improvement funds, which includes money from impact fees for building of roads, replacement or expansion of sewer lines, electric lines, water lines or other utilities.

The capital improvement fund consists of both restricted and unrestricted dollars. About \$3.2 million of the roughly \$8 million total available is unrestricted. The city borrowed \$1.8 million to keep the golf course above the water line.

Officials justify this self-loan by asserting that total assets are more than sufficient to back it up, so it's really not a debt in the usual sense.

A normal resident likely could not figure all this out, and the course has been an ongoing source of contention in the city. Some have claimed the city was not offering clear summaries, and even that city officials deliberately obfuscated the finances.

Crawley offered a defense: "I have heard from other people that they have had a hard time getting information from the city," he said. "But I have been able to get information fairly quickly, really quickly. I don't feel like anything was trying to be hid from me, for what it's worth."

But Crawley is an expert in finance and could drill effectively into city data to acquire information he wanted by asking the right technical questions. Other people, including news reporters, have been put off or misled in the past by accounting references that tend to obscure the true health of the golf course. No accurate plain-English description has ever been given.

The omission may have contributed to the community's failure to reach consensus either about the state of the course or its true burden on taxpayers. Residents lacked information.

"I don't think a lot of the city council understood it either," Crawley said.

Crawley is not involved in political campaigning in Cedar Hills. He got involved in the golf course question because he was personally frustrated that after years of questions, anger and confusion, no one from the city had stepped forward with a plain-language explanation of what the golf course has cost residents so far.

So he decided to do it himself.

"Everyone was sending out election information that was conflicting," he said. "I've been trying to be very non-biased."

Alternatives

It would cost as much as \$450,000 a year simply to mow the golf course if the land were simply turned into a public park, according to mayor Richardson and city manager Hildebrandt. That wouldn't cover the costs of any improvements -- such as restrooms, trees, walking paths or level areas for sports -- that would normally be associated with a park.

Opening the property as a park for the benefit of residents who are paying the bills could even mean mounting bills, Richardson said.

Other candidates have made golf course alternatives a campaign issue -- some accusing others of wanting to "turn the course into weeds." The accusation is not welcome.

Some have suggested that perhaps not all of the property need be maintained as a manicured park. Outlying pieces could be sold, for example, or planted with native grasses, as in Lambert Park in neighboring Alpine.

Lambert Park is immensely popular as a spot for taking professional family photos, and is used year-round for hiking, biking, sledding, jogging, cross-country skiing, and watching birds and deer.

Selling the Cedar Hills golf course and walking away clean is impossible, Richardson said, because the land was used as security for bond debt and it's not worth as much as the city owes.

On the other hand, maintaining the land as a golf course means that taxpayers as a whole must continue to spend big money on something that is used mainly by a few -- often wealthy -- paying guests. Those guests do pay enough to

defray some of the maintenance costs and other expenses. And that income may be better than nothing, Richardson said.

For those who suggest that money designated for a new clubhouse would have been better spent in converting the course into a park with soccer fields and the like, it's not that easy. Legal restrictions render it impossible to use money acquired for one purpose to be assigned to something else, officials say. The city shopped around for an attorney who would interpret the law to allow the city to reassign the money, but to no avail.

CFO Crawley disputed the claim that shutting down the golf course would be a financial negative. The numbers don't support that, he said.

"The golf course would not cost more to shut down than to continue operating," Crawley said. "This is a common myth that many people have been saying."

What next?

No one has come up with a better solution than to simply leave the golf course as a golf course, even if it is a money pit, Richardson said. The city has spent years and many meetings listening to residents' ideas on the issue and trying to explain the difficult and murky financial situation the golf course now faces.

Be that as it may, the real campaign issue in 2011, in Crawley's view, is that the residents of Cedar Hills -- at least the hundreds who have signed petitions -- do not feel the city is listening to them.

"We want the citizens to decide," Crawley said. "They feel they have not been listened to. That is the real campaign issue."

The public has been involved, Richardson and Perry countered. There have been two bond votes at the polls, in 2001 and 2005. There have been innumerable town hall meetings and public hearings. A committee of residents spent a year studying the issue. To say, in 2011, that the public has not been involved is unfair, they say.

"Here we are again saying the public hasn't been involved," said the mayor.

But dialogue may not have been as lively as it might have been had the city issued a plain-language analysis of what the golf course has been costing taxpayers. The analysis compiled by Crawley goes a long way toward making clear to residents both their own financial health and real cost of golf.

So why not take Crawley's suggestion and put the whole thing to a vote? Because, Richardson said, trying to spell out the many complex options in ballot form would be impossible. The finances are complex and difficult to understand. The options are complex. And it is difficult to explain the ramifications of each option.

"The interesting question is, if not a golf course, then what?" said Perry, who is not running for office again and is moving to Pleasant Grove. The residents have to take some responsibility for the golf finances, he said. "They bought it and then voted to refinance it with the bond."

The mayor refers to the golf course as "Operation Break Even" but it's a misnomer, at least in the short run. There is no financial plan for the course other than keep dipping into city funds because property tax doesn't cover the cost, and continuing to sit on future building lots around the course in hopes that the economy will change.

If the city paid to improve the rest of the lots -- 29 total -- they could potentially be sold for \$100,000 each. But it's not clear how much it would cost to get their value to that point. According to the mayor, "The majority of the council right now does not feel \$100,000 per lot is the full value."

Maybe it is, maybe it isn't. Only the future holds the answer. And the economy doesn't seem to be moving very far or very fast.

Sitting on the land forces the city to continue every year borrowing money from itself -- ultimately the taxpayers -- to support the golf course. But Richardson said that's worth it because the city knows it can sell the lots for at least the money it has invested in them since 2005.

"We don't need to fire sale," he said.

Whether taxpayers will be happy to know that their money is being used in this fashion is today an unanswered question.

From the city's point of view, the golf course is financially stable.

"We have debt and we have assets," said city finance director Tehero. She argues that the golf course as a total asset is worth \$12 million -- or will be if the economy improves. And the total debt, including the bond and the money the city has borrowed from other city funds is about \$8 million.

"We have \$4 million in equity," she said.

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Utah Valley's Newspaper

Daily Herald

Doublespeak in Cedar Hills

Caleb Warnock - Daily Herald | Posted: Monday, November 7, 2011 11:32 am | 1 Comment

In its newsletter, Cedar Hills has bashed previous attempts of the media and concerned residents to report the true financial standing of the golf course.

In a Sept. 2010 article titled "Local cities drop millions to subsidize golf" the Daily Herald reported that Cedar Hills had refused repeated requests to provide a history of the city's bailouts of its golf course. In October 2010, the newspaper reported that city documents had reported a golf bailout as "revenue" and quoted the Utah Taxpayers Association scolding Cedar Hills for hiding the subsidy.

After the article was published, city officials met with reporters. In that meeting, they acknowledged that the news articles were correct.

The next month, however, the city told a different story to residents through its newsletter. In a blurb titled "Cedar Hills completely forthright with golf finances," the city went on the offensive.

"Recently, the Daily Herald published an article which accused the city of 'hiding' subsidization of the Cedar Hills Golf Club. Unfortunately, the newspaper attempted to portray its opinion as if it were factual; the article couldn't have been further from the truth. The City of Cedar Hills has openly and actively made available to its residents, as well as any interested party, complete information on overall city finances, specifically including the golf course financials."

The city to date has still never published in its newsletter, or provided in any forum, a simple history of what the city has spends on golf compared to what the city has earned on golf.

Local accountant Rob Crawley, in an analysis completed last week, was the first to provide conclusive information. Golf in Cedar Hills has never generated a net surplus.

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Utah Valley's Newspaper

Daily Herald

IN OUR VIEW

Golf course's sobering lesson

Posted: Tuesday, November 8, 2011 12:02 am | [No Comments Posted](#)

If you're going to the polls today (as you should), you might want to check the Daily Herald's election guide – heraldextra.com/2011candidates.

Also, you might want to ponder the timely lessons provided by Cedar Hills in the creation and support of its golf course. That unhappy saga shows the real costs and long-term problems created when local governments try to run big projects that should be in private hands.

The Cedar Hills golf course was touted as a money-maker when it went to a bond election in 2001. But would voters have OK'd the debt had they known that a decade later the city would be paying hundreds of thousands of tax dollars to subsidize the course? Very doubtful.

The course has generated more controversy than cash. Many Cedar Hills residents have denounced its drain on city coffers. But as recently as two months ago, a city newsletter tried for positive spin, claiming the course ran a surplus.

It is now clear that the course is the fiscal equivalent of a sand trap. Cedar Hills resident and accountant Rob Crawley discovered that since 2004, the city has been borrowing money from other city funds to support the course -- as much as \$700,000 in 2008, and at least \$95,000 in other years.

These loans from the city to itself (they might also be called the picking of taxpayers' pockets) can, in theory, be paid back when property around the golf course is sold for homes. But with the housing market as weak as it is, it's not clear when or if that will ever happen.

Finally, Cedar Hills officials admit, nothing jumps out as a clearly better alternative. A golf course can't just be sold on eBay. The city will be stuck with it for a long time, either as a course or a park.

Cedar Hills is not unique in its abuse of taxpayers after a glowing idea goes south. Provo is saddled with debt from iProvo, yet it is building a new recreation center -- also with promises that it won't result in a greater tax burden on residents. Also, the UTOPIA broadband network continues to be a big question mark for Cedar Hills, Lindon, Orem, Payson, Vineyard and other Utah cities.

In Orem, Midtown Village remains an eyesore, though it was touted as a marvel of civic planning that would aid the city. In Provo, a new convention center -- also with rosy projections -- is nearing completion. We hope it all works out as promised.

But on this election day, voters should maintain a healthy reluctance to buy into new projects that put them on the hook for debt repayment.

Alpine School District voters will accept or reject an immense bond proposal -- \$210 million. In Springville, a recreation center is on the ballot. In Santaquin there's a proposal for a sewage treatment plant.

The next Orem council will have Center for Story high on its agenda.

It's safe to say that almost every school district and city faces questions today that are not unlike the one in Cedar Hills -- or will face them down the road.

Will any proposed spending remain within projections? That is especially important when the venture is really a business, such as a golf course. To be fair, some cities, such as Orem and Eagle Mountain, have been able to offer golf courses without draining municipal treasuries. But the record of most when running business-like enterprises is dismal.

Has the issue been explained clearly? Cedar Hills officials never provided an accurate, plain-English explanation of the golf course's finances. Even now, some aspects of it puzzle accountants. If voters do not have a clear and convincing picture of the financial risk of other civic proposals they'll be voting on today, they should reject them.

Will any plan stand up over time? The recession has made golf courses and real estate alike more dubious bets. Today's voters should think long and hard about any issue that is based on rosy scenarios, rather than hard-nosed looks at the future.

What will residents in other Utah Valley cities be saying 10 years from now when they talk about many of the items on today's ballots? **Will people look back and say they made a good decision? Or, as in Cedar Hills, will they see an over-hyped fiscal albatross?**

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(emphasis added)

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