



STATE OF UTAH
OFFICE OF THE STATE AUDITOR

March 1, 2013

Sam Allen

Dear Mr. Allen,

The Office of the Utah State Auditor has received your report entitled "Eagle Mountain City Utility Scandal" regarding your concerns about utility billing and city accounting practices in Eagle Mountain City. We appreciate your thoughtful concern about the management of your city and bringing it to the Office's attention. Upon our review of your report, discussions with City management, the City's auditor, Gilbert & Stewart, and review of the City's public budget documents, we have determined that our Office will investigate further the allegations regarding the City's utility and enterprise fund transfers and corresponding rates, the city's entertainment and travel expenses, and the alleged missing \$7 million in sewer bonds.

Please note that we have included the above investigation on our statewide list of potential investigations that is prioritized based on several factors, including but not limited to, available staffing resources. As we work through this list of potential investigations, we will contact you when we reach your complaint on the list. At that time, we will gather additional information and make a determination as to the nature of our investigation. When the investigation is conducted, we will notify you of our conclusions. Please understand that this process will take time, but be assured that we will investigate your concerns as soon as possible.

One of the main concerns in your report was the transfer of funds from the Utility Fund to the General Fund. As background, there are occasions when a county, city, local or special service district decides to subsidize the operations of one fund (usually the general fund) with funds taken from a utility enterprise fund. This would be beyond the enterprise fund reimbursing the general fund for services performed. Instead, this is the enterprise fund actually giving money to the general fund to support the operations of the local government. Thus, the rates paid by the customers of the utility are supporting the operations of the local government and its general fund.

When citizens see this type of transfer, they are often concerned about two things. Is this behavior appropriate and is this behavior legal? It is not the purview of the Office of the Utah State Auditor to say whether this is appropriate, since it is up to citizens to decide if this is how they want their political entity to be run. However, as to the question of whether this is legal, our Office can comment. This type of transfer can be legal, IF the local government entity goes

through the legal requirements as specified by *Utah Code* 17-36-32(3)(d) for counties, 10-6-135(3)(d) for cities, and 17B-1-629(3)(a)(ii) for local and special service districts. Our Office will investigate whether Eagle Mountain City did conduct their transfers within the legal framework.

Also identified in your report were several other allegations of misuse or abuse of city funds regarding salaries, special events, excessive debt, the Military fee abatement program, tiered water fee schedules, and other miscellaneous alleged misuses. These issues were all decisions made by the City Council through public meetings and are adequately disclosed in the City's public budget documents. While you may not agree with the City's decisions on how these funds were spent, the use of city funds for these activities is not illegal and is well within the authority of the Council. However, we encourage you and all citizens of Eagle Mountain City to participate in the public budget hearing process as well as city council elections to make your voices and opinions heard regarding how you want your city's funds spent.

The Office of the Utah State Auditor takes seriously any improper or questionable use of public funds, and we applaud your efforts to hold your city's leadership accountable.

Sincerely,



John Dugall
Utah State Auditor