

WOODS CROSS CITY CORPORATION

FINANCIAL STATEMENTS

For The Year Ended June 30, 2013

Together With Independent Auditor's Report

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FINANCIAL SECTION



Keddington & Christensen
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
Woods Cross City
Woods Cross City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woods Cross as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the City of Woods Cross as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Redevelopment Agency Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Woods Cross's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2013, on our consideration of Woods Cross City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woods Cross's internal control over financial reporting and compliance.

Keddington & Christensen

October 17, 2013

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2013**

As management of Woods Cross City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of Woods Cross City exceeded its liabilities at the close of the most recent fiscal year by \$33,855,276 (net position). Of this amount, \$2,999,378 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$3,334,447. Approximately 7% of this total amount, \$222,891, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$222,891, or 5% of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

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

- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- The *statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Woods Cross City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and public works, and parks and recreation. The business-type activities of the City include Water Utility, Garbage Utility, and Storm Drain Fund.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

The government-wide financial statements include not only the City itself, but also Woods Cross City Redevelopment Agency (Redevelopment Agency) as a blended component unit. The Redevelopment Agency is a legally separate entity governed by boards appointed by the City Council, consisting of the City Council members. For financial reporting purposes, the Redevelopment Agency is reported as if it was a part of the City's operations because its governing board is the City Council. Therefore, the City Council is financially accountable and has significant influence over the programs, projects, activities, and level of services performed or provided by the Redevelopment Agency.

Fund financial statements

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Redevelopment Agency Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single combined column. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its fund types. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

- *Proprietary funds* Woods Cross City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water utility, Garbage, and Storm Drain funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, Garbage, and Storm Drain Funds, all of which are considered to be major funds of the City.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$33,034,586 at the close of the most recent fiscal year.

By far the largest portion of Woods Cross City's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Woods Cross City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Woods Cross City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 5,317,601	\$ 5,768,580	\$ 1,405,030	\$ 1,828,563	\$ 6,722,631	\$ 7,597,143
Capital assets	19,146,581	18,448,172	15,508,321	15,521,176	34,654,902	33,969,348
Total assets	24,464,182	24,216,752	16,913,351	17,349,739	41,377,533	41,566,491
Long-term liabilities outstanding	501,642	528,007	4,675,456	5,099,133	5,177,098	5,627,140
Other liabilities	1,277,646	738,696	359,362	988,321	1,637,008	1,727,017
Total liabilities	1,779,288	1,266,703	5,034,818	6,087,454	6,814,106	7,354,157
Total deferred inflows of resources	708,151	1,177,748	-	-	708,151	1,177,748
Net position:						
Net investment in capital assets	18,787,821	18,089,412	10,876,321	10,462,406	29,664,142	28,551,818
Restricted	988,564	924,344	203,192	600,318	1,191,756	1,524,662
Unrestricted	2,200,358	2,758,545	799,020	199,561	2,999,378	2,958,106
Total net position	\$ 21,976,743	\$ 21,772,301	\$ 11,878,533	\$ 11,262,285	\$ 33,855,276	\$ 33,034,586

An additional portion of Woods Cross City's net position (\$1,191,756) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,999,378) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Woods Cross City is able to report positive balances in all three categories of net position for governmental and business-type activities.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 577,114	\$ 414,399	\$ 1,859,055	\$ 1,735,790	\$ 2,436,169	\$ 2,150,189
Operating grants and contributions	340,400	336,181	-	-	340,400	336,181
Capital grants and contributions	289,688	136,192	684,876	204,537	974,564	340,729
General revenues:						
Property taxes	1,033,852	1,536,204	-	-	1,033,852	1,536,204
Other taxes	2,533,567	2,598,498	-	-	2,533,567	2,598,498
Other	54,263	17,408	8,080	9,502	62,343	26,910
Total revenues	4,828,884	5,038,882	2,552,011	1,949,829	7,380,895	6,988,711
Expenses:						
General government	1,213,021	3,634,652	-	-	1,213,021	3,634,652
Public safety	2,315,660	2,164,267	-	-	2,315,660	2,164,267
Highways and public works	316,077	447,617	-	-	316,077	447,617
Parks and recreation	730,801	734,944	-	-	730,801	734,944
Interest on long-term debt	35,408	32,879	-	-	35,408	32,879
Water	-	-	1,093,391	974,233	1,093,391	974,233
Garbage	-	-	611,428	573,856	611,428	573,856
Storm drain	-	-	146,513	90,783	146,513	90,783
Total expenses	4,610,967	7,014,359	1,851,332	1,638,872	6,462,299	8,653,231
Increase in net position before transfers	217,917	(1,975,477)	700,679	310,957	918,596	(1,664,520)
Transfers	-	-	-	-	-	-
Increase (Decrease) in net position	217,917	(1,975,477)	700,679	310,957	918,596	(1,664,520)
Net position - beginning of year	21,772,301	23,747,778	11,262,287	10,951,328	33,034,588	34,699,106
Prior Period Adjustment	(13,475)	-	(84,433)	-	(97,908)	-
Net position - end of year	<u>\$ 21,976,743</u>	<u>\$ 21,772,301</u>	<u>\$ 11,878,533</u>	<u>\$ 11,262,285</u>	<u>\$ 33,855,276</u>	<u>\$ 33,034,586</u>

Governmental activities. Woods Cross City's total governmental activities net position increased by \$217,917, before prior period adjustment. The revenues increased however the expenditures decreased from the prior year. Key elements are as follows:

- Total revenues decreased by \$209,998 (4%). The decrease in revenue was largely due to the decrease in property tax received in the RDA fund. The tax increment related to the Gate Way project was completed. The decrease in expenditures is mainly due to the reduction in debt payments.

Business-type activities. Business-type activities increased Woods Cross City's net position by \$700,679, before prior period adjustment. As of the end of the current fiscal year, all of the City's business-type funds reported positive net position. Key elements of this increase are as follows:

- Total revenues increased by \$602,182 (31%). Increase in revenue was largely due to the increase in capital grants and contributions.
- Total expenses increased by \$212,460 (13%), which is mainly due to an a full years expenses for the Storm Drain fund, in increase in employee retirement and utility costs.

Financial Analysis of the Government's Funds

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

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

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

As of the end of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$3,334,447. Approximately 7% of this total amount or \$222,891 constitutes unrestricted fund balance, which is available for spending at the government's discretion. Approximately 59% of the combined ending fund balance or \$1,960,992 is assigned to the capital projects fund, redevelopment agency and storm drain. The remainder of the fund balance is restricted to for a variety of other purposes.

The general fund is the chief operating fund of Woods Cross City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$222,891, while total fund balance was \$486,386. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5% of total general fund expenditures, while total fund balance represents 11% of that amount.

The fund balance of Woods Cross City's general fund decreased by \$268,541 during the current fiscal year.

Proprietary funds. Woods Cross City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$450,467, for the Garbage Utility Fund, unrestricted net position amounted to \$50,424, and for the Storm Drain Fund, unrestricted net position amounted to \$298,129.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. Actual revenues were \$153,789 less than budget revenues. In addition, expenditures were \$285,248 less than budgeted expenditures. The key factor contributing to this variance is as follows:

- Sales and Franchise taxes were lower than anticipated by approximately \$164,000
- Property tax was higher than anticipated by approximately \$44,000.
- The City hall remodeling was completed at a cost of \$189,000

Capital Assets and Debt Administration

Capital assets. Woods Cross City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$33,969,348 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and roads. The total increase in Woods Cross City's investment in capital assets for the current fiscal year was \$685,554 (net of depreciation expense).

Major capital asset events during the current fiscal year included the following:

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Schedule of Major Capital Asset Additions

	Governmental Activities	Business-type Activities	Totals
City Hall improvements	\$ 188,734	\$ -	\$ 188,734
Land for road to Mt View Park	86,548	-	86,548
Mt. View Park	469,541	-	469,541
Vehicles	186,627	-	186,627
Mowers and Trailors	69,232	49,798	119,030
Engineering for Treatment Facility	-	64,298	64,298
Total	\$ 1,000,682	\$ 114,096	\$ 1,114,778

Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 9,090,810	\$ 9,004,263	\$ 792,321	\$ 792,321	\$ 9,883,131	\$ 9,796,584
Construction in progress	568,569	106,319	64,298	-	632,867	106,319
Buildings	966,669	809,465	-	-	966,669	809,465
Improvements	1,870,614	1,919,367	14,262,268	14,362,591	16,132,882	16,281,958
Machinery & equipment	542,658	405,972	389,434	366,264	932,092	772,236
Infrastructure	6,107,261	6,202,786	-	-	6,107,261	6,202,786
Total	\$ 19,146,581	\$ 18,448,172	\$ 15,508,321	\$ 15,521,176	\$ 34,654,902	\$ 33,969,348

Additional information on the City's capital assets can be found in Note 5.

Long-term debt. At the end of the current year, the City had total debt outstanding of \$5,413,770. All of Woods Cross City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
2008 Series RDA Tax Increment Bonds	\$ 295,000	\$ 355,000	\$ -	\$ -	\$ 295,000	\$ 355,000
2008 Series Water Revenue Bonds	-	-	-	5,058,770	-	5,058,770
2012 Series Water Refunding Bonds	-	-	4,632,000	-	4,632,000	-
Total	\$ 295,000	\$ 355,000	\$ 4,632,000	\$ 5,058,770	\$ 4,927,000	\$ 5,413,770

During the current fiscal year the City's total debt decreased by \$486,770.

Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

- As the economy improves, building will improve and building permits and impact fees will increase
- As the general economy increase it is anticipated that sales tax revenues will increase over the previous years' amounts.
- The City anticipates raising the water rates to pay for the construction of a water treatment plant and to fully cover the depreciation costs in the water fund.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Request for Information

This financial report is designed to provide a general overview of Woods Cross City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 1555 South 800 West, Woods Cross, Utah, 84087.

BASIC FINANCIAL STATEMENTS

WOODS CROSS CITY
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,250,712	\$ 874,811	\$ 3,125,523
Receivables:			
Taxes	1,023,076	-	1,023,076
Accounts net	43,168	183,644	226,812
Intergovernmental	62,956	-	62,956
Restricted assets:			
Cash and cash equivalents	1,837,819	346,575	2,184,394
Receivables - taxes	99,870	-	99,870
Capital assets not being depreciated:			
Land	9,090,810	792,321	9,883,131
Construction in progress	568,569	64,298	632,867
Capital assets, net of accumulated depreciation:			
Buildings	966,669	-	966,669
Improvements	1,870,614	14,262,268	16,132,882
Machinery, equipment, and vehicles	542,658	389,434	932,092
Infrastructure	6,107,261	-	6,107,261
Total Assets	\$ 24,464,182	\$ 16,913,351	\$ 41,377,533
Liabilities			
Accounts payable	\$ 227,817	\$ 102,240	\$ 330,057
Accrued liabilities	100,704	113,739	214,443
Developer and customer deposits - restricted asset	949,125	143,383	1,092,508
Noncurrent liabilities:			
Due within one year	103,275	265,467	368,742
Due in more than one year	398,367	4,409,989	4,808,356
Total Liabilities	1,779,288	5,034,818	6,814,106
Deferred Inflows of Resources			
Unavailable revenue - property taxes	708,151	-	708,151
Total Deferred Inflows of Resources	708,151	-	708,151
Net Position			
Net investment in capital assets	18,787,821	10,876,321	29,664,142
Restricted for:			
Impact fees	104,291	203,192	307,483
Property tax increment	620,778	-	620,778
Construction	255,931	-	255,931
Law enforcement	7,564	-	7,564
Unrestricted	2,200,358	799,020	2,999,378
Total Net Position	21,976,743	11,878,533	33,855,276
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 24,464,182	\$ 16,913,351	\$ 41,377,533

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

**WOODS CROSS CITY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Government Activities							
General governmental	\$ 1,213,021	\$ 362,226	\$ -	\$ -	\$ (850,795)	\$ -	\$ (850,795)
Public safety	2,315,660	211,263	46,507	-	(2,057,890)	-	(2,057,890)
Highways and public improvements	316,077	-	293,893	-	(22,184)	-	(22,184)
Parks, recreation, and public property	730,801	3,625	-	289,688	(437,488)	-	(437,488)
Interest on long-term debt	35,408	-	-	-	(35,408)	-	(35,408)
Total Governmental Activities	4,610,967	577,114	340,400	289,688	(3,403,765)	-	(3,403,765)
Business-type Activities							
Water	1,093,391	932,385	-	468,035	-	307,029	307,029
Solid waste	611,428	622,140	-	-	-	10,712	10,712
Storm drain	146,513	304,530	-	216,841	-	374,858	374,858
Total Business-type Activities	1,851,332	1,859,055	-	684,876	-	692,599	692,599
Total Government	\$ 6,462,299	\$ 2,436,169	\$ 340,400	\$ 974,564	\$ (3,403,765)	\$ 692,599	\$ (2,711,166)
General Revenues							
					\$ 1,033,852	\$ -	\$ 1,033,852
					1,922,154	-	1,922,154
					611,413	-	611,413
					23,407	8,080	31,487
					26,989	-	26,989
					3,867	-	3,867
					-	-	-
					3,621,682	8,080	3,629,762
					217,917	700,679	918,596
					21,772,301	11,262,287	33,034,588
					(13,475)	(84,433)	(97,908)
					\$ 21,976,743	\$ 11,878,533	\$ 33,855,276

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

WOODS CROSS CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 110,479	\$ 1,041,272	\$ 1,019,934	\$ 79,027	\$ 2,250,712
Receivables:					
Taxes	947,673	-	138,359	-	1,086,032
Accounts - net	43,168	-	-	-	43,168
Restricted assets:					
Cash and cash equivalents	929,168	180,471	-	728,180	1,837,819
Receivables	62,956	-	-	36,914	99,870
Total Assets	\$ 2,093,444	\$ 1,221,743	\$ 1,158,293	\$ 844,121	\$ 5,317,601
Liabilities					
Accounts payable	\$ 210,576	\$ 17,241	\$ -	\$ -	\$ 227,817
Accrued liabilities	98,061	-	-	-	98,061
Developer payable - restricted asset	-	180,471	-	40,025	220,496
Developer deposits - restricted asset	728,629	-	-	-	728,629
Total Liabilities	1,037,266	197,712	-	40,025	1,275,003
Deferred Inflows of Resources					
Unavailable revenue - property taxes	569,792	-	138,359	-	708,151
Total Deferred Inflows of Resources	569,792	-	138,359	-	708,151
Fund Balances					
Restricted					
Impact fees	-	-	-	104,291	104,291
Property tax increment	-	-	-	620,778	620,778
Construction	255,931	-	-	-	255,931
Law enforcement	7,564	-	-	-	7,564
Assigned					
Capital projects	-	1,024,031	-	-	1,024,031
Redevelopment	-	-	1,019,934	-	1,019,934
Subsurface storm drain	-	-	-	79,027	79,027
Unassigned	222,891	-	-	-	222,891
Total Fund Balances	486,386	1,024,031	1,019,934	804,096	3,334,447
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,093,444	\$ 1,221,743	\$ 1,158,293	\$ 844,121	\$ 5,317,601

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

**WOODS CROSS CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 3,334,447
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,146,581
Accrued interest is not recorded in the funds.	(2,643)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds.	(501,642)
Net position - governmental activities	<u><u>\$ 21,976,743</u></u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,215,572	\$ -	\$ 136,729	\$ 215,114	\$ 3,567,415
Licenses and permits	236,764	-	-	-	236,764
Intergovernmental	340,453	-	-	-	340,453
Charges for services	133,503	-	-	-	133,503
Fines and forfeitures	211,263	-	-	-	211,263
Interest	5,022	5,636	5,715	6,981	23,354
Miscellaneous	33,834	-	440	2,200	36,474
Total Revenues	<u>4,176,411</u>	<u>5,636</u>	<u>142,884</u>	<u>224,295</u>	<u>4,549,226</u>
Expenditures					
Current:					
General government	1,027,126	-	95,541	-	1,122,667
Public safety	2,218,909	-	-	-	2,218,909
Highways and public works	168,513	-	127,689	-	296,202
Parks and recreation	378,711	-	-	1,500	380,211
Debt service:					
Principal	-	-	60,000	-	60,000
Interest	-	-	16,765	-	16,765
Capital outlay:					
General government	188,734	-	-	-	188,734
Public safety	102,769	-	-	-	102,769
Highways and public works	351,901	86,548	-	-	438,449
Parks and recreation	58,289	463,317	-	-	521,606
Total Expenditures	<u>4,494,952</u>	<u>549,865</u>	<u>299,995</u>	<u>1,500</u>	<u>5,346,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(318,541)</u>	<u>(544,229)</u>	<u>(157,111)</u>	<u>222,795</u>	<u>(797,086)</u>
Other Financing Sources (Uses)					
Capital contributions	-	-	-	289,688	289,688
Transfer in	50,000	544,000	-	-	594,000
Transfer out	-	(50,000)	-	(544,000)	(594,000)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>494,000</u>	<u>-</u>	<u>(254,312)</u>	<u>289,688</u>
Net Change in Fund Balances	<u>(268,541)</u>	<u>(50,229)</u>	<u>(157,111)</u>	<u>(31,517)</u>	<u>(507,398)</u>
Fund Balance, Beginning	<u>754,927</u>	<u>1,074,260</u>	<u>1,177,045</u>	<u>835,613</u>	<u>3,841,845</u>
Fund Balance, Ending	<u>\$ 486,386</u>	<u>\$ 1,024,031</u>	<u>\$ 1,019,934</u>	<u>\$ 804,096</u>	<u>\$ 3,334,447</u>

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

WOODS CROSS CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (507,398)
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(543,114)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	1,251,558
Government funds have proceeds from the sale of assets as revenue. However, in the state of activities the reports the gain or loss on the sale of assets.	(10,031)
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	60,000
In the statement of activities, amortization of discounts is recorded.	(20,680)
In the statement of activities, accrued interest on debt is recorded.	537
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	(12,955)
Change in net position - governmental activities	\$ 217,917

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 603,000	\$ 638,000	\$ 682,005	\$ 44,005
Sales and use	2,290,000	2,000,000	1,922,154	(77,846)
Franchise	665,000	697,500	611,413	(86,087)
Licenses and permits	248,000	354,000	236,764	(117,236)
Intergovernmental	319,000	336,000	340,453	4,453
Charges for services	4,000	4,000	133,503	129,503
Fines and forfeitures	300,000	245,000	211,263	(33,737)
Interest	6,200	5,200	5,022	(178)
Miscellaneous	36,200	50,500	33,834	(16,666)
Total Revenues	<u>4,471,400</u>	<u>4,330,200</u>	<u>4,176,411</u>	<u>(153,789)</u>
Expenditures				
Current:				
General government:				
Legislative	82,400	60,700	57,973	2,727
Administrative	258,100	262,100	248,732	13,368
Judicial	182,200	189,200	179,206	9,994
Data processing	35,200	52,000	48,811	3,189
Non-departmental	160,000	169,300	147,662	21,638
City Hall	101,200	239,900	240,587	(687)
City attorney	78,000	78,000	69,761	8,239
Community Development	193,900	223,400	222,831	569
Volunteer services	3,000	3,000	297	2,703
Total general government	<u>1,094,000</u>	<u>1,277,600</u>	<u>1,215,860</u>	<u>61,740</u>
Public safety:				
Police department	1,701,400	1,682,800	1,627,031	55,769
Liquor law enforcement	14,000	14,100	11,146	2,954
Fire department	524,000	515,500	513,984	1,516
Building inspection	130,000	170,000	154,689	15,311
Animal control	16,500	16,500	14,828	1,672
Total public safety	<u>2,385,900</u>	<u>2,398,900</u>	<u>2,321,678</u>	<u>77,222</u>
Highways and public works:				
Streets department	575,700	298,700	234,448	64,252
City shop	-	50,900	43,565	7,335
Road repairs and equipment - B&C	-	272,000	242,401	29,599
Total public works	<u>575,700</u>	<u>621,600</u>	<u>520,414</u>	<u>101,186</u>
Parks and recreation	<u>673,100</u>	<u>482,100</u>	<u>437,000</u>	<u>45,100</u>
Total Expenditures	<u>\$ 4,728,700</u>	<u>\$ 4,780,200</u>	<u>\$ 4,494,952</u>	<u>\$ 285,248</u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Continued)
For The Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (257,300)	\$ (450,000)	\$ (318,541)	\$ 131,459
Other Financing Sources (Uses)				
Transfer in	216,000	280,000	50,000	(230,000)
Transfer out	-	(18,000)	-	18,000
Total Other Financing Sources (Uses)	<u>216,000</u>	<u>262,000</u>	<u>50,000</u>	<u>(212,000)</u>
Net Change in Fund Balance	<u>\$ (41,300)</u>	<u>\$ (188,000)</u>	(268,541)	<u>\$ (80,541)</u>
Fund Balance, Beginning			<u>754,927</u>	
Fund Balance, Ending			<u>\$ 486,386</u>	

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL –REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
For The Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 145,000	\$ 137,000	\$ 136,729	\$ (271)
Interest	500	5,500	5,715	215
Miscellaneous	-	-	440	440
Total Revenues	<u>145,500</u>	<u>142,500</u>	<u>142,884</u>	<u>384</u>
Expenditures				
Current:				
Redevelopment	114,700	239,700	223,230	16,470
Debt Service:				
Principal payments	77,500	60,000	60,000	-
Interest payments	-	16,000	15,265	735
Bond trustee fees	-	1,500	1,500	-
Total Expenditures	<u>192,200</u>	<u>317,200</u>	<u>299,995</u>	<u>17,205</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(46,700)</u>	<u>(174,700)</u>	<u>(157,111)</u>	<u>17,589</u>
Net Change in Fund Balance	<u>\$ (46,700)</u>	<u>\$ (174,700)</u>	<u>(157,111)</u>	<u>\$ 17,589</u>
Fund Balance, Beginning			<u>1,177,045</u>	
Fund Balance, Ending			<u>\$ 1,019,934</u>	

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

WOODS CROSS CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2013

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 548,576	\$ 34,973	\$ 291,262	\$ 874,811
Accounts receivable, net	84,719	61,248	37,677	183,644
Total Current Assets	<u>633,295</u>	<u>96,221</u>	<u>328,939</u>	<u>1,058,455</u>
Noncurrent Assets				
Restricted assets:				
Cash and cash equivalents	184,030	-	162,545	346,575
Capital assets:				
Land	792,321	-	-	792,321
Construction on progress	64,298	-	-	64,298
Improvements	13,808,413	-	6,549,879	20,358,292
Office furniture and equipment	96,264	-	14,990	111,254
Machinery, equipment, and vehicles	725,908	-	25,980	751,888
Less accumulated depreciation	(3,424,653)	-	(3,145,079)	(6,569,732)
Total Noncurrent Assets	<u>12,246,581</u>	<u>-</u>	<u>3,608,315</u>	<u>15,854,896</u>
Total Assets	<u>\$ 12,879,876</u>	<u>\$ 96,221</u>	<u>\$ 3,937,254</u>	<u>\$ 16,913,351</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 70,279	\$ 1,151	\$ 30,810	\$ 102,240
Compensated absences	15,467	-	-	15,467
Accrued liabilities	-	44,646	-	44,646
Accrued interest payable	69,093	-	-	69,093
Revenue bond payable	250,000	-	-	250,000
Total Current Liabilities	<u>404,839</u>	<u>45,797</u>	<u>30,810</u>	<u>481,446</u>
Noncurrent Liabilities				
Compensated absences	27,989	-	-	27,989
Customer deposits - restricted asset	128,289	-	15,094	143,383
Revenue bond payable	4,382,000	-	-	4,382,000
Total Noncurrent Liabilities	<u>4,538,278</u>	<u>-</u>	<u>15,094</u>	<u>4,553,372</u>
Total Liabilities	<u>4,943,117</u>	<u>45,797</u>	<u>45,904</u>	<u>5,034,818</u>
Net Position				
Net invested in capital assets	7,430,551	-	3,445,770	10,876,321
Restricted for:				
Impact fees	55,741	-	147,451	203,192
Unrestricted	450,467	50,424	298,129	799,020
Total Net Position	<u>7,936,759</u>	<u>50,424</u>	<u>3,891,350</u>	<u>11,878,533</u>
Total Liabilities and Net Position	<u>\$ 12,879,876</u>	<u>\$ 96,221</u>	<u>\$ 3,937,254</u>	<u>\$ 16,913,351</u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2013

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
Operating Revenues				
Charges for services:				
Metered water sales	\$ 897,997	\$ -	\$ -	\$ 897,997
Connection and servicing fees	34,388	-	-	34,388
User fees	-	622,140	304,530	926,670
Total Operating Revenues	<u>932,385</u>	<u>622,140</u>	<u>304,530</u>	<u>1,859,055</u>
Operating Expenses				
Salaries and wages	198,702	22,306	18,079	239,087
Employee benefits	97,011	10,040	12,185	119,236
Office expense and supplies	33,106	-	364	33,470
Maintenance and repairs	67,500	6,195	-	73,695
General and administrative	39,738	3,747	9,281	52,766
Utilities	66,036	-	-	66,036
Professional services	83,452	1,000	14,141	98,593
Water purchases	14,569	-	-	14,569
Solid waste collection and disposal	-	568,140	-	568,140
Depreciation	304,660	-	77,439	382,099
Miscellaneous	1,469	-	15,024	16,493
Total Operating Expenses	<u>906,243</u>	<u>611,428</u>	<u>146,513</u>	<u>1,664,184</u>
Operating Income (Loss)	<u>26,142</u>	<u>10,712</u>	<u>158,017</u>	<u>194,871</u>
Nonoperating Income (Expense)				
Interest income	4,814	177	3,089	8,080
Interest expense	(148,648)	-	-	(148,648)
Bond issuance costs	(38,500)	-	-	(38,500)
Total Nonoperating Income (Expense)	<u>(182,334)</u>	<u>177</u>	<u>3,089</u>	<u>(179,068)</u>
Income (loss) before capital contributions	(156,192)	10,889	161,106	15,803
Capital Contributions				
Impact fees	304,652	-	216,841	521,493
Developer contributions	163,383	-	-	163,383
Change in Net Position	311,843	10,889	377,947	700,679
Net Position, Beginning	7,709,349	39,535	3,513,403	11,262,287
Prior Period Adjustment - Bond Cost of Issuance	(84,433)	-	-	(84,433)
Net Position, Ending	<u>\$ 7,936,759</u>	<u>\$ 50,424</u>	<u>\$ 3,891,350</u>	<u>\$ 11,878,533</u>

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

WOODS CROSS CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2013

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 929,607	\$ 617,211	\$ 300,085	\$ 1,846,903
Receipts from customer deposits	4,030	-	-	4,030
Payments to suppliers and service providers	(265,232)	(578,581)	(637,999)	(1,481,812)
Payments to employees and related benefits	(289,526)	(32,346)	(30,264)	(352,136)
Net cash flows from operating activities	<u>378,879</u>	<u>6,284</u>	<u>(368,178)</u>	<u>16,985</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(289,568)	-	(79,674)	(369,242)
Capital contributions received	468,035	-	216,841	684,876
Proceeds from bonds	4,632,000	-	-	4,632,000
Principal paid on bonds and leases	(5,058,770)	-	-	(5,058,770)
Cost of bond issuance	(38,500)	-	-	(38,500)
Interest Paid	(226,681)	-	-	(226,681)
Net cash flows from capital and related financing activities	<u>(513,484)</u>	<u>-</u>	<u>137,167</u>	<u>(376,317)</u>
Cash Flows From Investing Activities				
Interest on investments	4,814	177	3,089	8,080
Net cash flows from investing activities	<u>4,814</u>	<u>177</u>	<u>3,089</u>	<u>8,080</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(129,791)	6,461	(227,922)	(351,252)
Cash and Cash Equivalents, Beginning	<u>862,397</u>	<u>28,512</u>	<u>681,729</u>	<u>1,572,638</u>
Cash and Cash Equivalents, Ending	<u>\$ 732,606</u>	<u>\$ 34,973</u>	<u>\$ 453,807</u>	<u>\$ 1,221,386</u>
Reconciliation of operating income to net cash flows from operating activities				
Earnings (loss) from operations	\$ 26,142	\$ 10,712	\$ 158,017	\$ 194,871
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:				
Depreciation	304,660	-	77,439	382,099
Changes in assets and liabilities				
Accounts receivable, net	(2,778)	(4,929)	(4,445)	(12,152)
Accounts payable	43,732	501	(599,189)	(554,956)
Compensated absences	3,093	-	-	3,093
Customer deposits	4,030	-	-	4,030
Net cash flows from operating activities	<u>\$ 378,879</u>	<u>\$ 6,284</u>	<u>\$ (368,178)</u>	<u>\$ 16,985</u>

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

WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Woods Cross City Corporation is a municipal corporation governed by an elected mayor and a five member council.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

(A) The Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The Woods Cross City Redevelopment Agency (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board composed of the members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the RDA have been included in the financial reporting entity as a blended component unit. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative services, public safety, highways and streets, and the RDA are classified as governmental activities. The City's Water Utility, Solid Waste Utility, and Storm Drain are classified as business-type activities.

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, federal grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. The City has determined that the period of availability for property tax to be 30 and other taxes to be 60 days. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary funds and Special Revenue funds).

The *Redevelopment Agency Fund* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The City reports the following major proprietary funds:

The *Water Utility Fund* accounts for the activities of the water distribution system of the City.

The *Solid Waste Utility Fund* accounts for the activities of the solid waste collection system of the City.

The *Storm Drain Fund* accounts for the activities of the storm drain system of the City.

Additionally, the City reports the following fund types:

Special revenue funds account for and report the proceeds of specific revenue sources that are the foundation of the fund and are restricted or committed to expenditure for specified purposes other than debt or capital projects. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the RAP Tax, Subsurface Storm Drain, and Park Development as special revenue funds.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

(D) Budgetary Data

Annual budgets are prepared and adopted, in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah, by the City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Funds and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year-end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 25% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgetary Data (Continued)

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the total expenditures do not exceed the total expenditures per the adopted budget, in which case a public hearing must be held. With the consent of the city manager and finance director, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Special Revenue Funds and Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is not practicable or appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

(E) Tax Revenues

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before August 17. All property taxes levied by the City are assessed and collected by Davis County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on the January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from each County on a monthly basis.

Transient room tax, municipal telecommunications tax, and the RAP (Recreation, Arts, and Parks) tax are collected by the State Tax Commission and remitted to the City monthly.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

(F) Cash and Cash Equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Investments, in the form of accounts at the Utah Public Treasurer's Investment Trust (the State Treasurer's Pool), of the City are stated at cost, which approximates fair value.

**WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Amortization of capital assets acquired with a capital lease has been included in depreciation expense.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1980) have been valued at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	15-60
Infrastructure	20-50
Machinery and Equipment	7-15
Vehicles	5
Office equipment	5

(I) Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Employees may convert a portion of accrued sick leave to pay each year. If an employee retires as a member of the Utah State Retirement System, one-third of unused sick leave will be used to pay medical insurance premiums.

(J) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) Long-Term Obligations (Continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(K) Deferred Inflows

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The government reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(L) Fund equity

Equity is classified in the government-wide financial statements as position and is displayed in three components:

- (1) *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) *Restricted net position* – portion of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) *Unrestricted net position* – remaining portion of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

- (1) *Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) *Restricted fund balance* classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) Fund equity (Continued)

- (4) *Assigned fund balance* Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- (5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary Fund equity is classified the same as in the government-wide statements.

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

(M) Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "advances to other funds" or "advances from other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

(N) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Investments are stated at cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as a component of "cash and cash equivalents", "restricted cash and cash equivalents", and "investments", which includes cash accounts that are separately held by several of the City's funds.

The City's deposit and investment policy is to follow the Utah Money Management Act; however, the City does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, the balance of deposit accounts exposed to custodial credit risk because it was uninsured and uncollateralized was \$0.

Custodial credit risk – investments is the risk that in the event of the failure of counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

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

The City invests in the Utah Public Treasurer's Investment Fund. As of June 30, 2013, the Utah Public Treasurer's Investment Fund was unrated.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The weighted average maturity of the City's investments as of June 30, 2013, was less than one year.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and

**WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 2 CASH AND INVESTMENTS (Continued)

regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

For the year ended June 30, 2013, the City had investments of \$5,446,750 with the PTIF. The fair value of these investments was \$5,474,102. The PTIF pool has not been rated.

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2013 for all funds is zero.

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2013:

Future construction	\$	765,439
Recreation, Arts, Parks		620,778
Retainage		18,471
Customer/developer deposits		872,012
Law enforcement		7,564
		7,564
	\$	2,284,264

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 9,004,263	\$ 86,547	\$ -	\$ 9,090,810
Construction in progress	106,319	469,541	(7,291)	568,569
Total capital assets, not being depreciated	9,110,582	556,088	(7,291)	9,659,379
Capital assets, being depreciated				
Infrastructure	22,180,926	228,208	-	22,409,134
Buildings	1,356,659	188,735	-	1,545,394
Improvements other than buildings	2,500,950	22,668	-	2,523,618
Machinery, equipment, and vehicles	1,727,920	255,859	(81,906)	1,901,873
Total capital assets, being depreciated	27,766,455	695,470	(81,906)	28,380,019
Less accumulated depreciation for				
Infrastructure	(15,978,140)	(323,733)	-	(16,301,873)
Buildings	(547,194)	(31,531)	-	(578,725)
Improvements other than buildings	(581,583)	(71,421)	-	(653,004)
Machinery, equipment, and vehicles	(1,321,948)	(116,429)	79,162	(1,359,215)
Total accumulated depreciation	(18,428,865)	(543,114)	79,162	(18,892,817)
Total capital assets, being depreciated, net	9,337,590	152,356	(2,744)	9,487,202
Governmental activities capital assets, net	<u>\$ 18,448,172</u>	<u>\$ 708,444</u>	<u>\$ (10,035)</u>	<u>\$ 19,146,581</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 32,266
Public safety	90,273
Highways and public improvements	71,280
Parks, recreation, and public property	349,295
Total depreciation expense - governmental activities	<u>\$ 543,114</u>

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

The Business-type Activities property, plant and equipment consist of the following at June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 792,321	\$ -	\$ -	\$ 792,321
Construction in progress	-	64,298	-	64,298
Total capital assets, not being depreciated	792,321	64,298	-	856,619
Capital assets, being depreciated				
Improvements other than buildings	20,115,235	243,057	-	20,358,292
Machinery and equipment	801,252	61,890	-	863,142
Total capital assets, being depreciated	20,916,487	304,947	-	21,221,434
Less accumulated depreciation for				
Improvements other than buildings	(5,752,644)	(343,380)	-	(6,096,024)
Machinery and equipment	(434,989)	(38,719)	-	(473,708)
Total accumulated depreciation	(6,187,633)	(382,099)	-	(6,569,732)
Total capital assets, being depreciated, net	14,728,854	(77,152)	-	14,651,702
Business-type activities capital assets, net	\$ 15,521,175	\$ (12,854)	\$ -	\$ 15,508,321

Depreciation expense was charged to functions/programs as follows:

Water	\$ 304,660
Storm Drain	77,439
Total depreciation expense - business-type activities	\$ 382,099

NOTE 6 DEFERRED INFLOWS

In conjunction with GASB pronouncement 33, "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued property tax receivable and a deferred outflow in the General Fund and Redevelopment Agency in the amounts of \$569,792 and \$138,359, respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 30 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30. Since the property tax levied on October 1, 2013 was not expected to be received within 30 days after the year ended June 30, 2013, the City was required to record receivable and deferred inflow of the estimated amount of the total property tax to be levied on October 1, 2013.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 LONG-TERM DEBT

The following is summary of long-term debt transactions of the City for the year ended June 30, 2013:

	Long-term debt payable at June 30, 2012	Additions	Reductions	Long-term debt payable at June 30, 2013	Due within One Year
Governmental activities					
Series 2008 RDA tax increment	\$ 355,000	\$ -	\$ (60,000)	\$ 295,000	\$ 65,000
Less bond discount	(20,680)	-	20,680	-	-
Total bonds payable	334,320	-	(39,320)	295,000	65,000
Compensated absences	193,687	148,265	(135,310)	206,642	38,275
Governmental activity long-term liabilities	\$ 528,007	\$ 148,265	\$ (174,630)	\$ 501,642	\$ 103,275
Business-type activities					
Series 2012 Water Revenue	\$ -	\$ 4,632,000	\$ -	\$ 4,632,000	\$ 250,000
Series 2008 Water Revenue	5,058,770	-	(5,058,770)	-	-
Total bonds payable	5,058,770	4,632,000	(5,058,770)	4,632,000	250,000
Compensated absences	40,363	35,383	(32,290)	43,456	15,467
Business-type activity long-term liabilities	\$ 5,099,133	\$ 4,667,383	\$ (5,091,060)	\$ 4,675,456	\$ 265,467

The General Fund and all Enterprise Funds typically liquidate the liability for compensated absences.

Redevelopment Agency Tax Increment Revenue Bonds Series 2008

The Redevelopment Agency Tax Increment Revenue Bonds Series 2008 was issued in January 2008 by the Redevelopment Agency. The \$1,880,000 revenue bonds are due in semi-annual installments through April 15, 2017. The bonds carry an interest rate of 4.30%. The bonds were issued at a discount for \$1,842,400.

The annual debt service requirements to maturity, including principal and interest, for the Tax Increment Revenue Bonds Series 2008, as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 65,000	\$ 11,288	\$ 76,288
2015	70,000	8,385	78,385
2016	75,000	5,268	80,268
2017	85,000	1,828	86,828
Total	\$ 295,000	\$ 26,769	\$ 321,769

**WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2008

The Water Revenue Bonds, Series 2008 was issued in September 2008. The \$5,600,000 revenue bonds are due in annual installments through April 15, 2017. The bonds carry an interest rate of 3.49%. The bonds require a replacement and debt service reserve to be established. During the year the bonds were defeased by the issuance of the Water Revenue Refunding Bonds, Series 2012 discussed below. The balance of the defeased debt at June 30, 2013 \$4,832,769

Water Revenue Refunding Bonds, Series 2012

The Water Revenue Refunding Bonds, Series 2012 was issued in December 2012. The \$4,632,000 revenue bonds are due in semiannual installments through March, 2027. The bonds carry an interest rate of 2.83%. The bonds require no replacement and debt service reserves to be established. The proceeds were used to advance refund the Water Revenue Bonds, Series 2008. The net proceeds, along with \$290,000 from the Series 2008 bonds debt reserve fund, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service on the refunded bonds. As a result the Water Revenue Bonds, Series 2008 are considered defeased and the liability for those bonds have been removed from the statement of net position. The City advanced refunded the series 2008 bonds to obtain an economic gain of \$115,070.

The annual debt service requirements to maturity, including principal and interest, for the Water Revenue Bonds Series 2012, as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 250,000	\$ 154,129	\$ 404,129
2015	284,000	119,992	403,992
2016	291,000	111,856	402,856
2017	297,000	103,536	400,536
2018	306,000	95,003	401,003
2019	317,000	86,188	403,188
2020	327,000	77,075	404,075
2021	336,000	67,694	403,694
2022	345,000	58,057	403,057
2023	355,000	48,152	403,152
2024	365,000	37,964	402,964
2025	375,000	27,493	402,493
2026	386,000	16,725	402,725
2027	398,000	5,632	403,632
Total	<u>\$ 4,632,000</u>	<u>\$ 1,009,496</u>	<u>\$ 5,641,496</u>

Pledged Revenues

The city has pledged future tax increment revenues to repay \$1,880,000 in tax increment revenue bonds issued in January 2008 to finance the acquisition of land for housing projects within the 500 West Redevelopment Project Area. The bonds are payable solely from the incremental taxes levied upon certain taxable property in the redevelopment project areas as described in the Redevelopment Act.

The City has pledged future water customer revenues, net of specified operating expenses, to repay water revenue bonds issued in 2012. Proceeds from the Series 2012 Bonds provided financing to refund the Series 2008 Bonds. The bonds are payable solely from water customer net revenues. Annual principal

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 LONG-TERM DEBT (Continued)

and interest payments on the bonds are estimated to be approximately 45% of net revenues over the life of the bonds.

NOTE 8 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Utah Local Government Trust (a public entity risk pool).

All claims are submitted to the Utah Local Government Trust, which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. All claims are subject to a \$500 deductible. The deductible is accrued as a current liability when the claim is incurred. The Utah Local Government Trust covers claims up to \$2,000,000. The City has not incurred a claim in excess of its coverage for any of the past three fiscal years.

NOTE 9 RETIREMENT PLAN

Cost Sharing Defined Benefits Pension Plans

Plan description: The City contributes to the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, and the Public Safety Noncontributory Retirement System, which are for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans. These plans are administered by the Utah Retirement Systems (the Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, and the Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 RETIREMENT PLAN (Continued)

Funding policy:

The contribution rates are the actuarially determined rates. The contribution requirements of the systems are authorized by statute and specified by the board. The City is required to contribute a percent of covered salary to the respective systems, as follows:

	Paid by Employer for Employee	Employer Contribution Rate
Contributory System:		
Local Governmental Division Tier 1	6.000%	12.030%
Local Governmental Division Tier 2	-	12.740%
Noncontributory System:		
Local Governmental Division Tier 1	-	16.040%
Public Safety System:		
Other Division A Contributory Tier 2		20.710%
Other Division B Noncontributory Tier 1	-	32.200%

The contributions were equal to the required contributions for each year. The City's contributions to the plans were as follows:

System	Year Ended June 30,	Employee paid Contributions	Employer paid for Employee Contribution	Employer Contributions	Salary Subject to Retirement Contributions
Contributory System:					
Local Governmental Division Tier 1 and Tier 2					
	2013	\$ -	\$ 4,609	\$ 11,811	\$ 106,837
	2012	-	4,439	7,853	82,309
	2011	-	4,178	6,518	69,633
Noncontributory System:					
Local Governmental Division Tier 1					
	2013	\$ -	\$ -	\$ 112,088	\$ 690,979
	2012	-	-	98,475	715,141
	2011	-	-	88,998	665,653
Public Safety System:					
Other Division A Contributory Tier 2					
	2013	\$ -	\$ -	\$ 1,451	\$ 13,069
Other Division B Noncontributory Tier 1					
	2013	\$ -	\$ -	\$ 182,674	\$ 660,226
	2012	-	-	157,397	669,513
	2011	-	-	145,840	516,431
Defined Contribution System:					
457 Plan					
	2013	\$ 6,654	\$ 15,529	\$ -	\$ -
	2012	10,088	21,071	-	-
	2011	4,450	24,516	-	-
401(k) Plan					
	2013	\$ 34,493	\$ 51,047	\$ -	\$ -
	2012	35,194	52,784	-	-
	2011	35,339	68,642	-	-
Roth IRA Plan					
	2013	\$ 11,749	\$ -	\$ -	\$ -
	2012	15,147	-	-	-
	2011	9,902	-	-	-

**WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 RETIREMENT PLAN (Continued)

457 Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

401(k) Defined Contribution Plans

The City sponsors a defined contribution plan under Internal Revenue Code 401(k) through the Utah State Retirement Systems. Contributions may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The 401(k) defined contribution monies are not available to the City or its general creditors. Therefore, no assets or liabilities of the 401(k) defined contribution plan are reflected in the financial statements.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The City has approximately \$1,369,000 to pay in an outstanding construction commitment to complete the construction of the Mountain View Park.

NOTE 11 REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17C-1-605(1), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2013:

The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2013</u>
500 South Project	\$ 136,729
Total increment received	<u>\$ 136,729</u>

The Agency expended amounts in the following areas:

Amounts expended for:	
Administrative costs	\$ 95,541
Property acquisitions and site improvements	127,689
Debt service costs	<u>76,765</u>
Total amounts expended by RDA	<u>\$ 299,995</u>
Outstanding bonds and loans to finance RDA projects	<u>\$ 321,769</u>

**WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 12 TRANSFERS

During the year transfers were made which will not be repaid. These transfers occurred primarily to finance programs, accounted for in one fund, with resources collected in other funds, in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2013 are as follows:

	In	Out	
Governmental:			
General Fund	\$ 50,000	\$ -	
Capital Projects	544,000	50,000	
Parks Development	-	544,000	
	\$ 594,000	\$ 594,000	

NOTE 13 CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2005, the City issued industrial development bonds to provide financial assistance to a private-sector entity for the acquisition, construction, and furnishings of manufacturing facilities and related improvements deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013, there is only one series of industrial development bonds issued and outstanding. The original issue amount was \$3,605,000.

NOTE 14 JOINT VENTURE IN SOUTH DAVIS METRO FIRE AGENCY

South Davis Metro Fire Agency was created pursuant to an Interlocal Agreement, entered into among Bountiful City, Centerville City, Davis County, North Salt Lake, West Bountiful City, and Woods Cross City, to provide consolidated fire and emergency medical services in the area boundaries as defined by the agreement. Upon formation of the Agency, participants that provided the Agency with fire station buildings or other real property or equipment, maintained individual ownership of the property. The Agency owns all property it acquires. Each participant pays its proportionate share of the Agency's costs, which are allocated among participants based on the assessed value of property within each participant's municipal boundaries. In addition, participants (excluding Bountiful City) have adopted a uniform capital facilities plan and uniform impact fee ordinance for fire and emergency services and remit all such fees to the Agency. Assessments and all impact fees are used for operational costs, debt services, risk management insurance, equipment, and new fire stations, as appropriate. During the year ended June 30, 2013, the City paid assessments of \$513,984 and impact fees of \$44,972 to South Davis Metro Fire Agency. A copy of the South Davis Metro Fire Agency audited financial statements may be obtained by writing to the Agency at 255 South 100 West, Bountiful, UT 84010.

NOTE 15 PRIOR PERIOD ADJUSTMENT

In fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the City has removed the unamortized bond issuance costs at the government-wide level by adjusting all prior periods affected. Therefore, the City has reduced the beginning net position of the Water Fund by \$84,433 and the Government Wide Governmental Activities by \$13,475 to eliminated costs of issuance of debt from prior years.

SUPPLEMENTAL INFORMATION

**WOODS CROSS CITY
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>Special Revenue Fund</u>			Total Nonmajor Governmental Funds
	<u>Subsurface Storm Drain</u>	<u>Park Development</u>	<u>RAP Tax</u>	
Assets				
Cash and cash equivalents	\$ 79,027	\$ -	\$ -	\$ 79,027
Restricted assets:				
Cash and cash equivalents	-	144,316	583,864	728,180
Taxes Receivable			36,914	36,914
Total Assets	<u>\$ 79,027</u>	<u>\$ 144,316</u>	<u>\$ 620,778</u>	<u>\$ 844,121</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Developer payable	-	40,025	-	40,025
Total Liabilities	<u>-</u>	<u>40,025</u>	<u>-</u>	<u>40,025</u>
Fund Balances				
Restricted				
Impact fees	-	104,291	-	104,291
Property tax increment	-	-	620,778	620,778
Assigned	79,027	-	-	79,027
Total Fund Balances	<u>79,027</u>	<u>104,291</u>	<u>620,778</u>	<u>804,096</u>
Total Liabilities and Fund Balances	<u>\$ 79,027</u>	<u>\$ 144,316</u>	<u>\$ 620,778</u>	<u>\$ 844,121</u>

WOODS CROSS CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2013

	<u>Special Revenue Fund</u>			Total Nonmajor Governmental Funds
	Subsurface Storm Drain	Park Development	RAP Tax	
Revenues				
Taxes	\$ -	\$ -	\$ 215,114	\$ 215,114
Interest	407	4,164	2,410	6,981
Miscellaneous	2,200	-	-	2,200
Total Revenues	<u>2,607</u>	<u>4,164</u>	<u>217,524</u>	<u>224,295</u>
Expenditures				
Parks and recreation	-	-	1,500	1,500
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,607</u>	<u>4,164</u>	<u>216,024</u>	<u>222,795</u>
Other Financing Sources (Uses)				
Capital contributions - impact fees	-	289,688	-	289,688
Transfer in/(out)	-	(544,000)	-	(544,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(254,312)</u>	<u>-</u>	<u>(254,312)</u>
Net Change in Fund Balances	2,607	(250,148)	216,024	(31,517)
Fund Balance, Beginning	<u>76,420</u>	<u>354,439</u>	<u>404,754</u>	<u>835,613</u>
Fund Balance, Ending	<u>\$ 79,027</u>	<u>\$ 104,291</u>	<u>\$ 620,778</u>	<u>\$ 804,096</u>

**CITY OF WOODS CROSS
WOODS CROSS, UTAH**

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**WOODS CROSS CITY
SUPPLEMENTARY REPORTS
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Keddington & Christensen
Certified Public Accountants, LLC

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA

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

Honorable Mayor and
Members of the City Council
City of Woods Cross
Woods Cross, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woods Cross, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Woods Cross's basic financial statements and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be a material weakness as described in the accompanying *Schedule of Findings and Recommendations*.

City of Woods Cross's Response to Findings

The City of Woods Cross's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The City of Woods Cross's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keddington & Christensen

October 17, 2013



Keddington & Christensen
Certified Public Accountants, LLC

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROLS
OVER COMPLIANCE IN ACCORDANCE WITH
THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

Honorable Mayor and
Members of City Council
City of Woods Cross
Woods Cross, Utah

REPORT ON COMPLIANCE

We have audited the City of Woods Cross's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

Cash Management	Impact Fees
Budgetary Compliance	Transfers from Utility Enterprise Funds
Fund Balance	Conflicts of Interest
Justice Court	Nepotism
Utah Retirement System Compliance	

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

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

Opinion

In our opinion, the City of Woods Cross complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for a limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Keddington & Christensen

October 17, 2013

Woods Cross City
Schedule of Findings and Recommendations
For The Year Ended June 30, 2013

MATERIAL WEAKNESSES

FINANCIAL STATEMENT PREPARATION

Finding

The city does not prepare the financial statements in accordance with Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The City relies on the financial statement audit procedures to identify certain necessary adjustments, reclassifications, and disclosures to produce financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Management's Response

The City will continue to use its auditors to assist in the preparation of its GASB 34 financial statements.