

**WOODS CROSS CITY CORPORATION**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2014**

**Together With Independent Auditor's Report**

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## **FINANCIAL SECTION**



**Keddington & Christensen, LLC**  
Certified Public Accountants

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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, 2014, 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, 2014, 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 December 31, 2014, 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*

December 31, 2014

**WOODS CROSS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2014**

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, 2014.

**Financial Highlights**

- The assets of Woods Cross City exceeded its liabilities at the close of the most recent fiscal year by \$37,183,673 (net position). Of this amount, \$1,871,227 (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 \$2,347,130. The unassigned fund balance is \$(372,033).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$292,967, or 6.6% 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, 2014**

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 a board 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, and the Park Development Fund, which are considered to be major funds. Data from the other two 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, 2014**

**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 \$37,183,673 at the close of the most recent fiscal year.

By far the largest portion of Woods Cross City's net position (92%) 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.

	<b>Net Position</b>					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,876,912	\$ 5,317,601	\$ 1,717,993	\$ 1,405,030	\$ 5,594,905	\$ 6,722,631
Capital assets	21,365,725	19,146,581	18,820,733	15,508,321	40,186,458	34,654,902
Total assets	<u>25,242,637</u>	<u>24,464,182</u>	<u>20,538,726</u>	<u>16,913,351</u>	<u>45,781,363</u>	<u>41,377,533</u>
Long-term liabilities outstanding	499,291	501,642	6,632,778	4,675,456	7,132,069	5,177,098
Other liabilities	695,247	1,277,646	770,374	359,362	1,465,621	1,637,008
Total liabilities	<u>1,194,538</u>	<u>1,779,288</u>	<u>7,403,152</u>	<u>5,034,818</u>	<u>8,597,690</u>	<u>6,814,106</u>
Total deferred inflows of resources	<u>837,580</u>	<u>708,151</u>	<u>-</u>	<u>-</u>	<u>837,580</u>	<u>708,151</u>
Net position:						
Net investment in capital assets	21,071,782	18,787,821	12,230,733	10,876,321	33,302,515	29,664,142
Restricted	552,099	988,564	620,252	203,192	1,172,351	1,191,756
Unrestricted	<u>1,586,638</u>	<u>2,200,358</u>	<u>284,589</u>	<u>799,020</u>	<u>1,871,227</u>	<u>2,999,378</u>
Total net position	<u>\$ 23,210,519</u>	<u>\$ 21,976,743</u>	<u>\$ 13,135,574</u>	<u>\$ 11,878,533</u>	<u>\$ 36,346,093</u>	<u>\$ 33,855,276</u>

An additional portion of Woods Cross City's net position (\$1,172,351) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,871,227) 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, 2014**

**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 544,271	\$ 577,114	\$ 2,083,254	\$ 1,859,055	\$ 2,627,525	\$ 2,436,169
Operating grants and contributions	381,559	340,400	-	-	381,559	340,400
Capital grants and contributions	1,108,783	289,688	1,132,972	684,876	2,241,755	974,564
General revenues:						
Property taxes	1,040,500	1,033,852	-	-	1,040,500	1,033,852
Other taxes	2,777,548	2,533,567	-	-	2,777,548	2,533,567
Other	72,959	54,263	6,961	8,080	79,920	62,343
<b>Total revenues</b>	<b>5,925,620</b>	<b>4,828,884</b>	<b>3,223,187</b>	<b>2,552,011</b>	<b>9,148,807</b>	<b>7,380,895</b>
Expenses:						
General government	1,098,858	1,213,021			1,098,858	1,213,021
Public safety	2,342,093	2,315,660			2,342,093	2,315,660
Highways and public works	749,492	316,077			749,492	316,077
Parks and recreation	488,314	730,801			488,314	730,801
Interest on long-term debt	13,087	35,408			13,087	35,408
Water	-	-	1,123,435	1,093,391	1,123,435	1,093,391
Garbage	-	-	639,017	611,428	639,017	611,428
Storm drain	-	-	203,694	146,513	203,694	146,513
<b>Total expenses</b>	<b>4,691,844</b>	<b>4,610,967</b>	<b>1,966,146</b>	<b>1,851,332</b>	<b>6,657,990</b>	<b>6,462,299</b>
Increase in net position before transfers	1,233,776	217,917	1,257,041	700,679	2,490,817	918,596
Transfers	-	-	-	-	-	-
Increase (Decrease) in net position	1,233,776	217,917	1,257,041	700,679	2,490,817	918,596
Net position - beginning of year	21,976,743	21,772,301	11,878,533	11,262,287	33,855,276	33,034,588
Prior Period Adjustment	-	(13,475)	-	(84,433)	-	-
<b>Net position - end of year</b>	<b>\$ 23,210,519</b>	<b>\$ 21,976,743</b>	<b>\$ 13,135,574</b>	<b>\$ 11,878,533</b>	<b>\$ 36,346,093</b>	<b>\$ 33,953,184</b>

**Governmental activities.** Woods Cross City's total governmental activities net position increased by \$1,233,776. The revenues increased however the expenditures decreased from the prior year. Key elements are as follows:

- Total revenues increased by \$ 1,096,736 (23%). The increase in revenue was largely due to the increase in capital grants and contributions

**Business-type activities.** Business-type activities increased Woods Cross City's net position by \$1,257,041. 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 \$ 671,176 (26%). Increase in revenue was largely due to the increase in capital grants and contributions.
- Total expenses increased by \$ 114,814 (6%), which is mainly due to an increase in salaries, professional & technical fees, and bond issuance costs.

**WOODS CROSS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2014**

**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.

**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 \$2,347,130. The unassigned fund balance is \$(372,033). Approximately 92% of the combined ending fund balance or \$2,167,064 is assigned to the capital projects fund, redevelopment agency and storm drain. The remainder of the fund balance is restricted 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 \$292,967, while total fund balance was \$564,713. 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 6.6% of total general fund expenditures, while total fund balance represents 13% of that amount.

The fund balance of Woods Cross City's general fund increased by \$78,329 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 \$(345,200), for the Garbage Utility Fund, unrestricted net position amounted to \$44,537, and for the Storm Drain Fund, unrestricted net position amounted to \$585,252.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant. Actual revenues were \$63,350 higher than budget revenues. In addition, expenditures were \$172,207 less than budgeted expenditures. The key factor contributing to this variance is as follows:

- Charges for services was higher by approximately \$88,000
- Property tax was higher than anticipated by approximately \$66,000.
- Licenses and permits was lower than anticipated by approximately \$97,000.

**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, 2014 amounts to \$40,186,458 (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 \$5,531,556 (net of depreciation expense).

**WOODS CROSS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2014**

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

- Mountain View Park – construction in progress
- Redwood Road extension – construction in progress
- Vehicles
- Machinery & equipment
- Infrastructure
- Landscaping
- Water treatment plant & pipeline
- Water system improvements

**Capital Assets (Net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 9,090,810	\$ 9,090,810	\$ 792,321	\$ 792,321	\$ 9,883,131	\$ 9,883,131
Construction in progress	2,039,610	568,569	2,888,169	64,298	4,927,779	632,867
Buildings	927,706	966,669	-	-	927,706	966,669
Improvements	1,949,687	1,870,614	14,767,207	14,262,268	16,716,894	16,132,882
Machinery & equipment	773,648	542,658	373,036	389,434	1,146,684	932,092
Infrastructure	6,584,264	6,107,261	-	-	6,584,264	6,107,261
<b>Total</b>	<b>\$ 21,365,725</b>	<b>\$ 19,146,581</b>	<b>\$ 18,820,733</b>	<b>\$ 15,508,321</b>	<b>\$ 40,186,458</b>	<b>\$ 34,654,902</b>

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 \$6,883,943. 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	
	2014	2013	2014	2013	2014	2013
2008 Series RDA Tax Increment Bonds	\$ 230,000	\$ 295,000	\$ -	\$ -	\$ 230,000	\$ 295,000
Capital Lease	63,943	-	-	-	63,943	-
2012 Series Water Refunding Bonds	-	-	4,382,000	4,632,000	4,382,000	4,632,000
2014 Series Water Reveue Bonds	-	-	2,208,000	-	2,208,000	-
<b>Total</b>	<b>\$ 293,943</b>	<b>\$ 295,000</b>	<b>\$ 6,590,000</b>	<b>\$ 4,632,000</b>	<b>\$ 6,883,943</b>	<b>\$ 4,927,000</b>

During the current fiscal year the City's total debt increased by \$1,956,943.

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.

**WOODS CROSS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2014**

**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, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,546,214	\$ 691,890	\$ 2,238,104
Receivables:			
Taxes	1,315,058	-	1,315,058
Accounts net	5,583	222,417	228,000
Internal balances	65,554	(65,554)	-
Prepays	-	14,558	14,558
Restricted assets:			
Cash and cash equivalents	842,305	854,682	1,696,987
Receivables - taxes	102,198	-	102,198
Capital assets not being depreciated:			
Land	9,090,810	792,321	9,883,131
Construction in progress	2,039,610	2,888,169	4,927,779
Capital assets, net of accumulated depreciation:			
Buildings	927,706	-	927,706
Improvements	1,949,687	14,767,207	16,716,894
Machinery, equipment, and vehicles	773,648	373,036	1,146,684
Infrastructure	6,584,264	-	6,584,264
<b>Total Assets</b>	<b>\$ 25,242,637</b>	<b>\$ 20,538,726</b>	<b>\$ 45,781,363</b>

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

**WOODS CROSS CITY**  
**STATEMENT OF NET POSITION (Continued)**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	\$ 183,499	\$ 439,445	\$ 622,944
Accrued liabilities	119,344	96,499	215,843
Developer and customer deposits - restricted asset	389,014	234,430	623,444
Accounts payable - restricted asset	3,390	-	3,390
Noncurrent liabilities:			
Due within one year	132,360	297,287	429,647
Due in more than one year	366,931	6,335,491	6,702,422
<b>Total Liabilities</b>	<b>1,194,538</b>	<b>7,403,152</b>	<b>8,597,690</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	837,580	-	837,580
<b>Total Deferred Inflows of Resources</b>	<b>837,580</b>	<b>-</b>	<b>837,580</b>
<b>Net Position</b>			
Net investment in capital assets	21,071,782	12,230,733	33,302,515
Restricted for:			
Impact fees	23,670	68,747	92,417
Property tax increment	256,683	-	256,683
Construction	257,894	-	257,894
Law enforcement	13,852	-	13,852
Debt Service	-	551,505	551,505
Unrestricted	1,586,638	284,589	1,871,227
<b>Total Net Position</b>	<b>23,210,519</b>	<b>13,135,574</b>	<b>36,346,093</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 25,242,637</b>	<b>\$ 20,538,726</b>	<b>\$ 45,781,363</b>

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, 2014**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>							
<b>Government Activities</b>							
General governmental	\$ 1,098,858	\$ 291,447	\$ 39,236	\$ -	\$ (768,175)	\$ -	\$ (768,175)
Public safety	2,342,093	249,119	61,379	-	(2,031,595)	-	(2,031,595)
Highways and public improvements	749,492	-	280,944	837,703	369,155	-	369,155
Parks, recreation, and public property	488,314	3,705	-	271,080	(213,529)	-	(213,529)
Interest on long-term debt	13,087	-	-	-	(13,087)	-	(13,087)
<b>Total Governmental Activities</b>	<u>4,691,844</u>	<u>544,271</u>	<u>381,559</u>	<u>1,108,783</u>	<u>(2,657,231)</u>	<u>-</u>	<u>(2,657,231)</u>
<b>Business-type Activities</b>							
Water	1,123,435	1,145,759	-	656,411	-	678,735	678,735
Solid waste	639,017	633,001	-	-	-	(6,016)	(6,016)
Storm drain	203,694	304,494	-	476,561	-	577,361	577,361
<b>Total Business-type Activities</b>	<u>1,966,146</u>	<u>2,083,254</u>	<u>-</u>	<u>1,132,972</u>	<u>-</u>	<u>1,250,080</u>	<u>1,250,080</u>
<b>Total Government</b>	<u>\$ 6,657,990</u>	<u>\$ 2,627,525</u>	<u>\$ 381,559</u>	<u>\$ 2,241,755</u>	<u>(2,657,231)</u>	<u>1,250,080</u>	<u>(1,407,151)</u>
<b>General Revenues</b>							
					1,040,500	-	1,040,500
					2,076,344	-	2,076,344
					701,204	-	701,204
					12,338	6,961	19,299
					20,662	-	20,662
					39,959	-	39,959
					<u>3,891,007</u>	<u>6,961</u>	<u>3,897,968</u>
						1,233,776	2,490,817
						1,257,041	2,490,817
					<u>21,976,743</u>	<u>11,878,533</u>	<u>33,855,276</u>
					<u>\$ 23,210,519</u>	<u>\$ 13,135,574</u>	<u>\$ 36,346,093</u>

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



**WOODS CROSS CITY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Park Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 108,383	\$ 408,221	\$ 948,370	\$ -	\$ 81,240	\$ 1,546,214
Receivables:						
Taxes	1,051,936	-	263,122	-	-	1,315,058
Accounts - net	5,583	-	-	-	-	5,583
Due from other funds	-	530,554	-	-	200,000	730,554
Restricted assets:						
Cash and cash equivalents	529,569	79,061	-	27,060	206,615	842,305
Receivables	52,130	-	-	-	50,068	102,198
<b>Total Assets</b>	<b>\$ 1,747,601</b>	<b>\$ 1,017,836</b>	<b>\$ 1,211,492</b>	<b>\$ 27,060</b>	<b>\$ 537,923</b>	<b>\$ 4,541,912</b>
<b>Liabilities</b>						
Accounts payable	\$ 183,499	\$ -	\$ -	\$ -	\$ -	\$ 183,499
Accrued liabilities	114,978	-	1,321	-	-	116,299
Developer payable - restricted asset	-	79,061	-	-	-	79,061
Accounts payable - restricted asset	-	-	-	3,390	-	3,390
Due to other funds	-	-	-	665,000	-	665,000
Developer deposits - restricted asset	309,953	-	-	-	-	309,953
<b>Total Liabilities</b>	<b>608,430</b>	<b>79,061</b>	<b>1,321</b>	<b>668,390</b>	<b>-</b>	<b>1,357,202</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	574,458	-	263,122	-	-	837,580
<b>Total Deferred Inflows of Resource</b>	<b>574,458</b>	<b>-</b>	<b>263,122</b>	<b>-</b>	<b>-</b>	<b>837,580</b>
<b>Fund Balances</b>						
Restricted						
Impact fees	-	-	-	23,670	-	23,670
Property tax increment	-	-	-	-	256,683	256,683
Construction	257,894	-	-	-	-	257,894
Law enforcement	13,852	-	-	-	-	13,852
Assigned						
Capital projects	-	938,775	-	-	-	938,775
Redevelopment	-	-	947,049	-	-	947,049
Subsurface storm drain	-	-	-	-	81,240	81,240
RAP tax	-	-	-	-	200,000	200,000
Unassigned	292,967	-	-	(665,000)	-	(372,033)
<b>Total Fund Balances</b>	<b>564,713</b>	<b>938,775</b>	<b>947,049</b>	<b>(641,330)</b>	<b>537,923</b>	<b>2,347,130</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,747,601</b>	<b>\$ 1,017,836</b>	<b>\$ 1,211,492</b>	<b>\$ 27,060</b>	<b>\$ 537,923</b>	<b>\$ 4,541,912</b>

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, 2014**

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

<b>Total fund balance - governmental funds</b>	\$ 2,347,130
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,365,725
Accrued interest is not recorded in the funds.	(3,045)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds.	(499,291)
	<hr/>
<b>Net position - governmental activities</b>	<b><u>\$ 23,210,519</u></b>

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, 2014**

	General	Capital Projects	Redevelopment Agency	Park Development	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 3,447,925	\$ -	\$ 134,201	\$ -	\$ 235,922	\$ 3,818,048
Licenses and permits	197,673	-	-	-	-	197,673
Intergovernmental	381,602	-	-	-	-	381,602
Charges for services	94,836	-	-	-	-	94,836
Fines and forfeitures	249,119	-	-	-	-	249,119
Interest	2,590	3,870	3,825	214	1,796	12,295
Miscellaneous	21,405	-	-	-	1,900	23,305
<b>Total Revenues</b>	<b>4,395,150</b>	<b>3,870</b>	<b>138,026</b>	<b>214</b>	<b>239,618</b>	<b>4,776,878</b>
<b>Expenditures</b>						
Current:						
General government	1,009,265	-	111,725	-	-	1,120,990
Public safety	2,255,557	-	-	-	-	2,255,557
Highways and public works	313,724	-	-	-	-	313,724
Parks and recreation	387,906	-	-	3,390	1,500	392,796
Debt service:						
Principal	23,605	-	65,000	-	-	88,605
Interest	-	-	14,185	-	-	14,185
Capital outlay:						
Public safety	119,256	-	-	-	-	119,256
Highways and public works	300,645	-	20,000	-	-	320,645
Parks and recreation	28,435	1,259,126	-	-	-	1,287,561
<b>Total Expenditures</b>	<b>4,438,393</b>	<b>1,259,126</b>	<b>210,910</b>	<b>3,390</b>	<b>1,500</b>	<b>5,913,319</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(43,243)</b>	<b>(1,255,256)</b>	<b>(72,884)</b>	<b>(3,176)</b>	<b>238,118</b>	<b>(1,136,441)</b>
<b>Other Financing Sources (Uses)</b>						
Capital contributions	21,572	-	-	127,555	-	149,127
Transfer in	118,000	1,270,000	-	665,000	-	2,053,000
Transfer out	(18,000)	(100,000)	-	(1,535,000)	(400,000)	(2,053,000)
<b>Total Other Financing Sources (Uses)</b>	<b>121,572</b>	<b>1,170,000</b>	<b>-</b>	<b>(742,445)</b>	<b>(400,000)</b>	<b>149,127</b>
<b>Net Change in Fund Balances</b>	<b>78,329</b>	<b>(85,256)</b>	<b>(72,884)</b>	<b>(745,621)</b>	<b>(161,882)</b>	<b>(987,314)</b>
<b>Fund Balance, Beginning</b>	<b>486,384</b>	<b>1,024,031</b>	<b>1,019,933</b>	<b>104,291</b>	<b>699,805</b>	<b>3,334,444</b>
<b>Fund Balance, Ending</b>	<b>\$ 564,713</b>	<b>\$ 938,775</b>	<b>\$ 947,049</b>	<b>\$ (641,330)</b>	<b>\$ 537,923</b>	<b>\$ 2,347,130</b>

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, 2014**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (987,314)</b>
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.	(597,295)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	1,729,271
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, trade in) is to increase net assets.	999,622
Governmental funds expense capital lease expenditures in the current year, however, those expenditures reduce capital lease liabilities in the statement of net position.	23,605
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	65,000
In the statement of activities, accrued interest on debt is recorded.	(402)
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.	1,289
<b>Change in net position - governmental activities</b>	<b><u>\$ 1,233,776</u></b>

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes:				
Property	\$ 604,000	\$ 648,000	\$ 670,377	\$ 22,377
Sales and use	2,084,000	2,030,000	2,076,344	46,344
Franchise	655,000	698,000	701,204	3,204
Licenses and permits	294,000	294,500	197,673	(96,827)
Intergovernmental	316,000	367,900	381,559	13,659
Charges for services	4,000	6,500	94,836	88,336
Fines and forfeitures	260,000	260,000	249,119	(10,881)
Interest	6,200	6,000	2,633	(3,367)
Miscellaneous	29,200	16,000	21,405	5,405
<b>Total Revenues</b>	<u>4,252,400</u>	<u>4,326,900</u>	<u>4,395,150</u>	<u>68,250</u>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	59,800	60,800	59,600	1,200
Administrative	242,900	249,500	247,724	1,776
Judicial	207,100	211,000	206,347	4,653
Data processing	38,600	49,100	23,600	25,500
Non-departmental	147,000	151,400	169,608	(18,208)
City Hall	40,400	43,400	41,574	1,826
City attorney	69,000	65,200	57,969	7,231
Community Development	222,700	213,500	229,349	(15,849)
Election	4,000	4,100	4,011	89
Volunteer services	3,000	5,000	3,748	1,252
Total general government	<u>1,034,500</u>	<u>1,053,000</u>	<u>1,043,530</u>	<u>9,470</u>
Public safety:				
Police department	1,695,000	1,702,000	1,691,997	10,003
Liquor law enforcement	11,000	11,000	6,001	4,999
Fire department	524,000	528,500	528,234	266
Building inspection	160,000	128,100	123,270	4,830
Animal control	15,000	15,000	14,651	349
Total public safety	<u>2,405,000</u>	<u>2,384,600</u>	<u>2,364,153</u>	<u>20,447</u>
Highways and public works:				
Streets department	256,800	269,600	252,244	17,356
City shop	49,300	59,300	46,944	12,356
Road repairs and equipment - B&C	325,000	347,000	315,181	31,819
Total public works	<u>631,100</u>	<u>675,900</u>	<u>614,369</u>	<u>61,531</u>
Parks and recreation	438,600	466,400	416,341	50,059
<b>Total Expenditures</b>	<u>\$ 4,509,200</u>	<u>\$ 4,579,900</u>	<u>\$ 4,438,393</u>	<u>\$ 141,507</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	\$ (256,800)	\$ (253,000)	\$ (43,243)	\$ 209,757
<b>Other Financing Sources (Uses)</b>				
Capital contributions	-	22,000	21,572	(428)
Transfer in	210,000	216,000	118,000	(98,000)
Transfer out	(18,000)	(24,000)	(18,000)	6,000
<b>Total Other Financing Sources (Uses)</b>	<u>192,000</u>	<u>214,000</u>	<u>121,572</u>	<u>(92,428)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (64,800)</u>	<u>\$ (39,000)</u>	78,329	<u>\$ 117,329</u>
<b>Fund Balance, Beginning</b>			<u>486,384</u>	
<b>Fund Balance, Ending</b>			<u>\$ 564,713</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 145,000	\$ 145,000	\$ 134,201	\$ (10,799)
Interest	6,000	6,000	3,825	(2,175)
<b>Total Revenues</b>	<u>151,000</u>	<u>151,000</u>	<u>138,026</u>	<u>(12,974)</u>
<b>Expenditures</b>				
Current:				
Redevelopment	128,900	188,900	131,725	57,175
Debt Service:				
Principal payments	65,000	65,000	65,000	-
Interest payments	12,700	12,700	12,685	15
Bond trustee fees	1,500	1,500	1,500	-
<b>Total Expenditures</b>	<u>208,100</u>	<u>268,100</u>	<u>210,910</u>	<u>57,190</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(57,100)</u>	<u>(117,100)</u>	<u>(72,884)</u>	<u>44,216</u>
<b>Net Change in Fund Balance</b>	<u>\$ (57,100)</u>	<u>\$ (117,100)</u>	<u>(72,884)</u>	<u>\$ 44,216</u>
<b>Fund Balance, Beginning</b>			<u>1,019,933</u>	
<b>Fund Balance, Ending</b>			<u>\$ 947,049</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, 2014**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ 26,964	\$ 664,926	\$ 691,890
Accounts receivable, net	116,332	63,729	42,356	222,417
Prepaid expenses	14,558	-	-	14,558
<b>Total Current Assets</b>	<u>130,890</u>	<u>90,693</u>	<u>707,282</u>	<u>928,865</u>
<b>Noncurrent Assets</b>				
Restricted assets:				
Cash and cash equivalents	849,682	-	5,000	854,682
Capital assets:				
Land	792,321	-	-	792,321
Construction on progress	2,767,874	-	120,295	2,888,169
Improvements	14,308,782	-	6,907,616	21,216,398
Office furniture and equipment	96,264	-	14,990	111,254
Machinery, equipment, and vehicles	673,307	-	73,090	746,397
Less accumulated depreciation	(3,703,428)	-	(3,230,378)	(6,933,806)
<b>Total Noncurrent Assets</b>	<u>15,784,802</u>	<u>-</u>	<u>3,890,613</u>	<u>19,675,415</u>
<b>Total Assets</b>	<u>\$ 15,915,692</u>	<u>\$ 90,693</u>	<u>\$ 4,597,895</u>	<u>\$ 20,604,280</u>

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



**WOODS CROSS CITY**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)**  
**June 30, 2014**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 318,400	\$ 405	\$ 120,640	\$ 439,445
Compensated absences	13,287	-	-	13,287
Accrued liabilities	8,021	45,751	1,390	55,162
Accrued interest payable	41,337	-	-	41,337
Due to other funds	65,554	-	-	65,554
Revenue bond payable	284,000	-	-	284,000
<b>Total Current Liabilities</b>	<u>730,599</u>	<u>46,156</u>	<u>122,030</u>	<u>898,785</u>
<b>Noncurrent Liabilities</b>				
Compensated absences	29,491	-	-	29,491
Liabilities payable from restricted assets	93,984	-	-	93,984
Developer and customer deposits - restricted asset	135,446	-	5,000	140,446
Revenue bond payable	6,306,000	-	-	6,306,000
<b>Total Noncurrent Liabilities</b>	<u>6,564,921</u>	<u>-</u>	<u>5,000</u>	<u>6,569,921</u>
<b>Total Liabilities</b>	<u>7,295,520</u>	<u>46,156</u>	<u>127,030</u>	<u>7,468,706</u>
<b>Net Position</b>				
Net invested in capital assets	8,345,120	-	3,885,613	12,230,733
Restricted for:				
Debt service	551,505	-	-	551,505
Impact fees	68,747	-	-	68,747
Unrestricted	(345,200)	44,537	585,252	284,589
<b>Total Net Position</b>	<u>8,620,172</u>	<u>44,537</u>	<u>4,470,865</u>	<u>13,135,574</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 15,915,692</u>	<u>\$ 90,693</u>	<u>\$ 4,597,895</u>	<u>\$ 20,604,280</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, 2014**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Operating Revenues</b>				
Charges for services:				
Metered water sales	\$ 1,123,628	\$ -	\$ -	\$ 1,123,628
Connection and servicing fees	22,131	-	-	22,131
User fees	-	633,001	304,494	937,495
<b>Total Operating Revenues</b>	<u>1,145,759</u>	<u>633,001</u>	<u>304,494</u>	<u>2,083,254</u>
<b>Operating Expenses</b>				
Salaries and wages	197,957	27,367	30,318	255,642
Employee benefits	92,814	12,933	16,806	122,553
Office expense and supplies	21,092	-	365	21,457
Maintenance and repairs	79,969	11,143	-	91,112
General and administrative	38,854	2,411	8,266	49,531
Utilities	63,947	-	-	63,947
Professional services	41,565	1,500	43,479	86,544
Water purchases	15,222	-	-	15,222
Solid waste collection and disposal	-	583,663	-	583,663
Depreciation	313,842	-	85,299	399,141
Miscellaneous	16,771	-	19,161	35,932
<b>Total Operating Expenses</b>	<u>882,033</u>	<u>639,017</u>	<u>203,694</u>	<u>1,724,744</u>
<b>Operating Income (Loss)</b>	<u>263,726</u>	<u>(6,016)</u>	<u>100,800</u>	<u>358,510</u>
<b>Nonoperating Income (Expense)</b>				
Interest income	4,678	129	2,154	6,961
Interest expense	(128,868)	-	-	(128,868)
Bond issuance costs	(95,000)	-	-	(95,000)
Gain (loss) from sale of capital assets	(17,534)	-	-	(17,534)
<b>Total Nonoperating Income (Expense)</b>	<u>(236,724)</u>	<u>129</u>	<u>2,154</u>	<u>(234,441)</u>
Income (loss) before capital contributions	27,002	(5,887)	102,954	124,069
<b>Capital Contributions</b>				
Impact fees	156,042	-	118,824	274,866
Developer contributions	500,369	-	357,737	858,106
<b>Change in Net Position</b>	683,413	(5,887)	579,515	1,257,041
<b>Net Position, Beginning</b>	<u>7,936,759</u>	<u>50,424</u>	<u>3,891,350</u>	<u>11,878,533</u>
<b>Net Position, Ending</b>	<u>\$ 8,620,172</u>	<u>\$ 44,537</u>	<u>\$ 4,470,865</u>	<u>\$ 13,135,574</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, 2014**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 1,114,148	\$ 630,520	\$ 299,815	\$ 2,044,483
Change in customer deposits Increase (Decrease)	7,157	-	(10,094)	(2,937)
Payments to suppliers and service providers	(130,857)	(599,464)	(102,081)	(832,402)
Payments to employees and related benefits	(283,428)	(39,195)	(45,734)	(368,357)
<b>Net cash flows from operating activities</b>	<u>707,020</u>	<u>(8,139)</u>	<u>141,906</u>	<u>840,787</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Due to/from other funds	65,554	-	-	65,554
<b>Net cash flows from non-capital financing activities</b>	<u>65,554</u>	<u>-</u>	<u>-</u>	<u>65,554</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(2,614,202)	-	(46,765)	(2,660,967)
Capital contributions received	156,042	-	118,824	274,866
Proceeds from bonds	2,208,000	-	-	2,208,000
Principal paid on bonds and leases	(250,000)	-	-	(250,000)
Proceeds from construction retention	91,608	-	-	91,608
Cost of bond issuance	(95,000)	-	-	(95,000)
Interest Paid	(156,624)	-	-	(156,624)
<b>Net cash flows from capital and related financing activities</b>	<u>(660,176)</u>	<u>-</u>	<u>72,059</u>	<u>(588,117)</u>
<b>Cash Flows From Investing Activities</b>				
Interest on investments	4,678	130	2,154	6,962
<b>Net cash flows from investing activities</b>	<u>4,678</u>	<u>130</u>	<u>2,154</u>	<u>6,962</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	117,076	(8,009)	216,119	325,186
<b>Cash and Cash Equivalents, Beginning</b>	<u>732,606</u>	<u>34,973</u>	<u>453,807</u>	<u>1,221,386</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 849,682</u>	<u>\$ 26,964</u>	<u>\$ 669,926</u>	<u>\$ 1,546,572</u>

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

**WOODS CROSS CITY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)**  
**For The Year Ended June 30, 2014**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Reconciliation of operating income to net cash flows from operating activities</b>				
Earnings (loss) from operations	\$ 263,726	\$ (6,016)	\$ 100,800	\$ 358,510
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:				
Depreciation	313,842	-	85,299	399,141
Changes in assets and liabilities				
Accounts receivable, net	(31,611)	(2,481)	(4,679)	(38,771)
Prepaid expenses	(14,558)	-	-	(14,558)
Accounts payable	161,121	(747)	(30,810)	129,564
Compensated absences	(678)	-	-	(678)
Accrued liabilities	8,021	1,105	1,390	10,516
Liabilities payable from restricted assets		-	-	-
Customer deposits	7,157	-	(10,094)	(2,937)
	<u>\$ 707,020</u>	<u>\$ (8,139)</u>	<u>\$ 141,906</u>	<u>\$ 840,787</u>
<b>Net cash flows from operating activities</b>				
	<u>\$ 707,020</u>	<u>\$ (8,139)</u>	<u>\$ 141,906</u>	<u>\$ 840,787</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets	\$ 500,369	\$ -	\$ 357,737	\$ 858,106
Purchase of vehicles and equipment on account	\$ 89,374	\$ -	\$ 120,640	\$ 210,014

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 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 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, 2014, 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, 2014, 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, 2014, the City had investments of \$3,306,744 with the PTIF. The fair value of these investments was \$3,324,952. As of June 30, 2014 the PTIF fair value factor was 1.005062. The PTIF pool has not been rated.

**NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts receivable at June 30, 2014 for all funds is \$0.

**NOTE 4 RESTRICTED ASSETS**

Certain assets are restricted to use as follows as of June 30, 2014:

Future construction	\$	301,571
Recreation, Arts, Parks		206,615
Retainage		173,045
Water system replacement		57,130
Customer/developer deposits		450,399
Unspent bond proceeds		494,375
Law enforcement		13,852
<b>Total restricted cash</b>	<b>\$</b>	<b><u>1,696,987</u></b>
Class C road accounts receivable	\$	52,130
Rap tax accounts receivable		50,068
<b>Total restricted accounts receivable</b>	<b>\$</b>	<b><u>102,198</u></b>

**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, 2014, is as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 9,090,810	\$ -	\$ -	\$ 9,090,810
Construction in progress	568,569	1,480,729	(9,688)	2,039,610
<b>Total capital assets, not being depreciated</b>	9,659,379	1,480,729	(9,688)	11,130,420
<b>Capital assets, being depreciated</b>				
Infrastructure	22,409,134	818,597	-	23,227,731
Buildings	1,545,394	-	-	1,545,394
Improvements other than buildings	2,523,618	153,213	-	2,676,831
Machinery, equipment, and vehicles	1,901,873	426,190	(142,271)	2,185,792
<b>Total capital assets, being depreciated</b>	28,380,019	1,398,000	(142,271)	29,635,748
<b>Less accumulated depreciation for</b>				
Infrastructure	(16,301,873)	(341,594)	-	(16,643,467)
Buildings	(578,725)	(38,963)	-	(617,688)
Improvements other than buildings	(653,004)	(74,140)	-	(727,144)
Machinery, equipment, and vehicles	(1,359,215)	(142,599)	89,670	(1,412,144)
<b>Total accumulated depreciation</b>	(18,892,817)	(597,296)	89,670	(19,400,443)
<b>Total capital assets, being depreciated, net</b>	9,487,202	800,704	(52,601)	10,235,305
<b>Governmental activities capital assets, net</b>	<u>\$ 19,146,581</u>	<u>\$ 2,281,433</u>	<u>\$ (62,289)</u>	<u>\$ 21,365,725</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
General government	\$ 39,697
Public safety	87,184
Highways and public improvements	373,008
Parks, recreation, and public property	97,407
<b>Total depreciation expense - governmental activities</b>	<u>\$ 597,296</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, 2014:

	<b>Balance</b> <b>June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2014</b>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 792,321	\$ -	\$ -	\$ 792,321
Construction in progress	64,298	2,823,871	-	2,888,169
<b>Total capital assets, not being depreciated</b>	<b>856,619</b>	<b>2,823,871</b>	<b>-</b>	<b>3,680,490</b>
<b>Capital assets, being depreciated</b>				
Improvements other than buildings	20,358,292	858,106	-	21,216,398
Machinery and equipment	863,142	47,110	(52,601)	857,651
<b>Total capital assets, being depreciated</b>	<b>21,221,434</b>	<b>905,216</b>	<b>(52,601)</b>	<b>22,074,049</b>
<b>Less accumulated depreciation for</b>				
Improvements other than buildings	(6,096,024)	(353,167)	-	(6,449,191)
Machinery and equipment	(473,708)	(45,974)	35,067	(484,615)
<b>Total accumulated depreciation</b>	<b>(6,569,732)</b>	<b>(399,141)</b>	<b>35,067</b>	<b>(6,933,806)</b>
<b>Total capital assets, being depreciated, net</b>	<b>14,651,702</b>	<b>506,075</b>	<b>(17,534)</b>	<b>15,140,243</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 15,508,321</b>	<b>\$ 3,329,946</b>	<b>\$ (17,534)</b>	<b>\$ 18,820,733</b>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 313,842
Storm Drain	85,299
<b>Total depreciation expense - business-type activities</b>	<b>\$ 399,141</b>

**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 \$574,458 and \$263,122, 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, 2014 was not expected to be received within 30 days after the year ended June 30, 2014, 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, 2014.



**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, 2014:

	Long-term debt payable at June 30, 2013	Additions	Reductions	Long-term debt payable at June 30, 2014	Due within One Year
<b>Governmental activities</b>					
Series 2008 RDA tax increment	\$ 295,000	\$ -	\$ (65,000)	\$ 230,000	\$ 70,000
Capital lease	-	87,548	(23,605)	63,943	20,227
Total bonds payable	295,000	87,548	(88,605)	293,943	90,227
Compensated absences	206,642	148,296	(149,590)	205,348	42,133
<b>Governmental activity long-term liabilities</b>	<b>\$ 501,642</b>	<b>\$ 323,392</b>	<b>\$ (238,195)</b>	<b>\$ 499,291</b>	<b>\$ 132,360</b>
<b>Business-type activities</b>					
Series 2012 Water Revenue	\$ 4,632,000	\$ -	\$ (250,000)	\$ 4,382,000	\$ 284,000
Series 2014 Water Revenue	-	2,208,000	-	2,208,000	-
Total bonds payable	4,632,000	2,208,000	(250,000)	6,590,000	284,000
Compensated absences	43,456	34,092	(34,770)	42,778	13,287
<b>Business-type activity long-term liabilities</b>	<b>\$ 4,675,456</b>	<b>\$ 2,242,092</b>	<b>\$ (284,770)</b>	<b>\$ 6,632,778</b>	<b>\$ 297,287</b>

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, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	\$ 8,385	\$ 78,385
2016	75,000	5,268	80,268
2017	85,000	1,828	86,828
<b>Total</b>	<b>\$ 230,000</b>	<b>\$ 15,481</b>	<b>\$ 245,481</b>

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

**NOTE 7 LONG-TERM DEBT (Continued)**

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, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2020-2024	1,728,000	288,942	2,016,942
2025-2027	1,159,000	49,850	1,208,850
<b>Total</b>	<u>\$ 4,382,000</u>	<u>\$ 855,367</u>	<u>\$ 5,237,367</u>

Water Revenue Bonds, Series 2014 A and B

The Water Revenue Refunding Bonds, Series 2014 A and B were issued February 2014. The \$1,225,000 A and \$3,275,000 B revenue bonds are due in annual installments through September 2034. As of June 30, 2014 only \$983,000 of the \$3,275,000 has been issued for the Series B bonds, therefore the balance remaining as of June 30, 2014 for the Water Revenue Refunding Bonds, Series 2014 A and B was \$2,208,000. The bonds carry an interest rate of 0.00%. The bonds require replacement reserves of 5% of the City's annual operating budget, and debt service reserves of \$208,000 to be established evenly over 10 years.

The annual debt service requirements to maturity, including principal and interest, for the Water Revenue Bonds Series 2014, as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 53,973	\$ -	\$ 53,973
2017	53,973	-	53,973
2018	53,973	-	53,973
2019	53,973	-	53,973
2020	53,973	-	53,973
2021-2025	269,865	-	269,865
2026-2030	691,845	-	691,845
2031-2035	976,425	-	976,425
<b>Total</b>	<u>\$ 2,208,000</u>	<u>\$ -</u>	<u>\$ 2,208,000</u>

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

**NOTE 7 LONG-TERM DEBT (Continued)**

Capital Leases

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met. The following is a schedule by year of future minimum lease payments as of June 30, 2014.

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities</b>
2015	23,605
2016	23,605
2017	23,605
Total minimum lease payments	70,815
Less: Amount representing interest	(6,872)
Present value of net minimum lease payments	63,943

Equipment and related accumulated depreciation under capital lease are as follows:

Cost of equipment	\$	87,548
Accumulated depreciation	\$	-

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

The City has pledged the net revenues of the water system to fund the Water Revenue Refunding Bonds, Series 2014 A and B.

**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.

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

**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.

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%	13.280%
Local Governmental Division Tier 2	-	13.990%
Noncontributory System:		
Local Governmental Division Tier 1	-	17.290%
Public Safety System:		
Other Division A Contributory Tier 2		20.510%
Other Division B Noncontributory Tier 1	-	32.200%

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

**NOTE 9 RETIREMENT PLAN (Continued)**

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

<u>System</u>	<u>Year Ended June 30,</u>	<u>Employee paid Contributions</u>	<u>Employer paid for Employee Contribution</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division Tier 1 and Tier 2					
	2014	\$ -	\$ 4,696	\$ 12,990	\$ 108,813
	2013	-	4,609	11,811	106,837
	2012	-	4,439	7,853	82,309
Noncontributory System:					
Local Governmental Division Tier 1					
	2014	\$ -	\$ -	\$ 127,375	\$ 726,996
	2013	-	-	112,088	690,979
	2012	-	-	98,475	715,141
Public Safety System:					
Other Division A Contributory Tier 2					
	2014	\$ -	\$ -	\$ 3,497	\$ 31,731
	2013	-	-	1,451	13,069
Other Division B Noncontributory Tier 1					
	2014	\$ -	\$ -	\$ 180,096	\$ 650,020
	2013	-	-	182,674	660,226
	2012	-	-	157,397	669,513
Defined Contribution System:					
457 Plan					
	2014	\$ 7,476	\$ 997	\$ -	\$ -
	2013	6,654	15,529	-	-
	2012	10,088	21,071	-	-
401(k) Plan					
	2014	\$ 38,349	\$ 62,786	\$ -	\$ -
	2013	34,493	51,047	-	-
	2012	35,194	52,784	-	-
Roth IRA Plan					
	2014	\$ 11,250	\$ -	\$ -	\$ -
	2013	11,749	-	-	-
	2012	15,147	-	-	-

**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.

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

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

The City has approximately \$2,521,000 to pay in an outstanding construction commitment to complete the construction of the Drinking Water Treatment facility.

**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 2014:

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

<u>Project Area</u>	<u>2014</u>
500 South Project	\$ 134,201
Total increment received	<u>\$ 134,201</u>

The Agency expended amounts in the following areas:

Amounts expended for:

Administrative costs	\$ 111,725
Property acquisitions and site improvements	20,000
Debt service costs	<u>79,185</u>
Total amounts expended by RDA	<u>\$ 210,910</u>

Outstanding bonds and loans to finance RDA projects	<u>\$ 245,481</u>
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**NOTE 12 DUE TO/FROM**

The composition of inter-fund balances as of June 30, 2014 is as follows:

<u>Due to Other Funds - Payable</u>	<u>Due from Other Funds - Receivable</u>		
	<u>RAP Tax</u>	<u>Capital Projects</u>	<u>Total</u>
Park development	\$ 200,000	\$ 465,000	665,000
Water	-	65,554	65,554
	<u>\$ 200,000</u>	<u>\$ 530,554</u>	<u>\$ 730,554</u>

Long term inter-fund balances as of June 30, 2014 is as follows:

During the year the capital project fund loaned the park development fund \$465,000. This is expected to be paid back over 5 years at a 3% interest rate. During the year the RAP tax fund loaned the park development fund \$200,000. This is expected to be paid back over 5 years at a 3% interest rate.

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

**NOTE 13 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, 2014 are as follows:

	<b>In</b>	<b>Out</b>
Governmental:		
General Fund	\$ 118,000	\$ 18,000
Capital Projects	1,270,000	100,000
Parks Development	665,000	1,535,000
RAP Tax Fund	-	400,000
Total Governmental	\$ 2,053,000	\$ 2,053,000

**NOTE 14 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, 2014, there is only one series of industrial development bonds issued and outstanding. The original issue amount was \$3,605,000.

**NOTE 15 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, 2014, the City paid assessments of \$528,234 and impact fees of \$26,625 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.

## **SUPPLEMENTAL INFORMATION**



**WOODS CROSS CITY  
 COMBINING BALANCE SHEET – NONMAJOR  
 GOVERNMENTAL FUNDS  
 June 30, 2014**

	<u>Special Revenue Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Subsurface Storm Drain</u>	<u>RAP Tax</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 81,240	\$ -	\$ 81,240
Due from other funds	-	200,000	200,000
Restricted assets:			
Cash and cash equivalents	-	206,615	206,615
Taxes Receivable	-	50,068	50,068
<b>Total Assets</b>	<u>\$ 81,240</u>	<u>\$ 456,683</u>	<u>\$ 537,923</u>
<b>Fund Balances</b>			
Restricted			
Property tax increment	-	256,683	256,683
Assigned	<u>81,240</u>	<u>200,000</u>	<u>281,240</u>
<b>Total Fund Balances</b>	<u>\$ 81,240</u>	<u>\$ 456,683</u>	<u>\$ 537,923</u>

**WOODS CROSS CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2014**

	<u>Special Revenue Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Subsurface Storm Drain</u>	<u>RAP Tax</u>	
<b>Revenues</b>			
Taxes	\$ -	\$ 235,922	\$ 235,922
Interest	313	1,483	1,796
Miscellaneous	1,900	-	1,900
<b>Total Revenues</b>	<u>2,213</u>	<u>237,405</u>	<u>239,618</u>
<b>Expenditures</b>			
Parks and recreation	-	1,500	1,500
<b>Total Expenditures</b>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,213</u>	<u>235,905</u>	<u>238,118</u>
<b>Other Financing Sources (Uses)</b>			
Transfer out	-	(400,000)	(400,000)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>
Net Change in Fund Balances	2,213	(164,095)	(161,882)
<b>Fund Balance, Beginning</b>	<u>79,027</u>	<u>620,778</u>	<u>699,805</u>
<b>Fund Balance, Ending</b>	<u>\$ 81,240</u>	<u>\$ 456,683</u>	<u>\$ 537,923</u>

**WOODS CROSS CITY  
WOODS CROSS, UTAH**

**SUPPLEMENTARY REPORTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA  
Tyson C. Beck, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Woods Cross's (the City) basic financial statements, and have issued our report thereon dated December 31, 2014.

**Internal Control over Financial Reporting**

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

Our consideration of internal control 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* or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a *material weakness*.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

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

**City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of 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, LLC*

December 31, 2014



**Keddington & Christensen, LLC**  
Certified Public Accountants

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Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA  
Tyson C. Beck, CPA

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

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

**Report on Compliance**

We have audited the City of Woods Cross's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

Budgetary Compliance	Fund Balance
Justice Courts	URS Compliance
Transfers, loans, & services from Enterprise Funds	Government Records Access Management Act
Budget Notice and Format	Open and Public Meetings Act

The City received state funding from the following programs classified as major programs for the year ended June 30, 2014.

Drinking Water Board Loan Series 2014 (A) and (B) (Utah Department of Environmental Quality)

**Management's Responsibility**

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on Woods Cross City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on General State Compliance Requirements and Each Major State Program**

In our opinion, Woods Cross City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings and recommendations. Our opinion on compliance is not modified with respect to these matters.

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

### **Report on Internal Control over Compliance**

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

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

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

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



**Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 31, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Keddington & Christensen, LLC*

December 31, 2014

**WOODS CROSS CITY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For The Fiscal Year Ended June 30, 2014**

**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.

**Material Adjustments**

**Finding:**

During our audit we noted that there were various accounting areas within the Water, Storm Drain, and General funds and governmental activities on the government-wide statements that needed material audit adjustments in order to be compliant with GAAP. These areas included: capitalizing of construction in progress expenses, accrual of year end construction and engineering costs, recording of bond proceeds into the cash account with associated long-term debt, recording of expenses for bond costs of issuance, recording of capital lease debt and asset, recording of developer contributed assets, and the accrual of all the payroll salaries and wages. It appears that this fund's accounting was not reviewed for adherence to these accounting principles. The lack of a proper review leaves the fund's financial statements materially misstated and not in compliance with GAAP.

**Recommendation:**

We recommend that a review of the City's yearend accounting be implemented by an individual adequately trained to ensure the fund accounting is compliant with GAAP.

**Management's Response**

Due to an unexpected illness, the individual normally responsible for ensuring the fund accounting was compliant with GAAP was unable to fulfill his duties prior to the closing of FY 2014. The City has since hired another individual to fulfill those duties and will ensure the fund accounting is compliant with GAAP.

**STATE COMPLIANCE**

**Government Records Access Management Act (GRAMA) (Significant Deficiency)**

**Finding**

*Utah Code* section 63G-2-108 stipulates that: "Each records officer of a governmental entity or political subdivision shall, on an annual basis, successfully complete online training and obtain certification from state archives in accordance with Section 63A-12-110". During our audit it was noted that the City's designated records officer did not complete the required annual training for the fiscal year ended June 30, 2014. It appears that the City has not implemented a procedure to ensure its records officer has annually completed the required online training regarding GRAMA requirements.

**Recommendation:**

We recommend that the City create and implement a procedure to ensure its records officer obtains the annual records officer online training certification.

**Management's Response**

The City has established a procedure to ensure its records officer obtains the annual records officer online training certificate by January 31<sup>st</sup> of each year.

**WOODS CROSS CITY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For The Fiscal Year Ended June 30, 2014**

**Negative Fund Balance (Significant Deficiency)**

**Finding**

The State Auditor's *State Compliance Audit Guide* stipulates that the City must maintain: "a positive fund balance for all funds at year end". During our audit it was noted that the City's Park Development fund had a deficit fund balance position of \$641,330 at June 30, 2014.

**Recommendation:**

We recommend that the City work to restore the Park Development fund balance to a positive balance in order to be compliant with State law.

**Management's Response**

The Park Development fund has a negative balance due to the implementation of inter-fund loans rather than inter-fund transfers. These loans will be negated and inter-fund transfers will be made to bring the Park Development fund back into a positive balance.

**Expenditures in Excess of Budget (Significant Deficiency)**

**Finding**

The State Auditor's *State Compliance Audit Guide* states that a city's "total expenditures by fund [must] not exceed the amounts appropriated in the final adopted budget." During our audit we noted that the Water Fund had total expenditures that exceeded total appropriations in the fund by \$64,600 at June 30, 2014.

**Recommendation:**

We recommend that the City closely monitor expenditures in the funds to ensure the City is in compliance with Utah State Code.

**Management's Response**

The City will more closely monitor expenditures in the Funds to ensure that total expenditures do not exceed the amount appropriated in the final adopted budget.

**WOODS CROSS CITY**  
**SCHEDULE OF STATE EXPENDITURES OF STATE AWARDS**  
**For The Year Ended June 30, 2014**

Grant Name	Award/Contract # (if applicable)	Year Subject to Audit	Expenditures
<b><u>UTAH DEPARTMENT OF TRANSPORTATION</u></b>			
B&C Road Funds	n/a	FY 2013	\$ 280,944
<b>Subtotal - Utah Department of Transportation</b>			<u>280,944</u>
<b><u>UTAH STATE TAX COMMISSION</u></b>			
Alcohol Control Funds	n/a		6,487
<b>Subtotal - Utah State Tax Commission</b>			<u>6,487</u>
<b><u>UTAH DEPARTMENT OF ENVIROMENTAL QUALITY</u></b>			
Drinking Water Board Loan	Series 2014(B) Bond	FY 2014	952,000
Drinking Water Board Loan	Series 2014(A) Bond	FY 2014	1,225,000
<b>Subtotal - Utah Department of Environmental Quality</b>			<u>2,177,000</u>
<b><u>UTAH DEPARTMENT OF NATURAL RESOURCES</u></b>			
Division of Wildlife Resources - Angling Grant	# 142171		400
<b>Subtotal - Utah Department of Natural Resources</b>			<u>400</u>
<b><u>UTAH DEPARTMENT OF PUBLIC SAFETY</u></b>			
JAG Grant	13A		7,233
Highway Safety Office - DUI Overtime Reimbursement	PA141004		3,678
<b>Subtotal - Utah Department of Public Safety</b>			<u>10,911</u>
<b>Total Grant, Contract, and Loan Fund Expenditures</b>			<u><u>\$ 2,475,742</u></u>