

WOODS CROSS CITY CORPORATION

FINANCIAL STATEMENTS

For The Year Ended June 30, 2015

Together With Independent Auditor's Report

**WOODS CROSS CITY
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FINANCIAL SECTION



Keddington & Christensen, LLC
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, and the schedule of contributions, 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 23, 2015, 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 23, 2015

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2015**

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, 2015.

Financial Highlights

- The assets and deferred outflows of resources of Woods Cross City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36,488,955 (net position). Of this amount, \$1,255,383 (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 \$2,366,242. The unassigned fund balance is \$482,161.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$482,161, or 10.98% 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, 2015**

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, 2015**

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 \$37,328,685 at the close of the most recent fiscal year.

By far the largest portion of Woods Cross City's net position (93.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Woods Cross City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Woods Cross City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| | Net Position | | | | | |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 3,711,347 | \$ 3,876,912 | \$ 1,017,671 | \$ 1,717,993 | \$ 4,729,018 | \$ 5,594,905 |
| Capital assets | 21,043,909 | 21,365,725 | 22,057,621 | 18,820,733 | 43,101,530 | 40,186,458 |
| Total assets | <u>24,755,256</u> | <u>25,242,637</u> | <u>23,075,292</u> | <u>20,538,726</u> | <u>47,830,548</u> | <u>45,781,363</u> |
| Total deferred outflows of resources | 183,794 | - | 31,523 | - | 215,317 | - |
| Long-term liabilities outstanding | 397,286 | 499,291 | 8,641,822 | 6,632,778 | 9,039,108 | 7,132,069 |
| Other liabilities | 1,148,534 | 695,247 | 405,192 | 770,374 | 1,553,726 | 1,465,621 |
| Total liabilities | <u>1,545,820</u> | <u>1,194,538</u> | <u>9,047,014</u> | <u>7,403,152</u> | <u>10,592,834</u> | <u>8,597,690</u> |
| Total deferred inflows of resources | 929,675 | 837,580 | 14,871 | - | 944,546 | 837,580 |
| Net position: | | | | | | |
| Net investment in capital assets | 20,840,193 | 21,071,782 | 13,459,621 | 12,230,733 | 34,299,814 | 33,302,515 |
| Restricted | 491,414 | 552,099 | 452,090 | 620,252 | 943,504 | 1,172,351 |
| Unrestricted | 1,131,948 | 1,586,638 | 133,219 | 284,589 | 1,265,167 | 1,871,227 |
| Total net position | <u>\$ 22,463,555</u> | <u>\$ 23,210,519</u> | <u>\$ 14,044,930</u> | <u>\$ 13,135,574</u> | <u>\$ 36,508,485</u> | <u>\$ 36,346,093</u> |

An additional portion of Woods Cross City's net position (\$943,504) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,255,383) may be used to meet the government's ongoing obligations to citizens and creditors.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2015**

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.

| | Changes in Net Position | | | | | |
|---|--------------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 526,367 | \$ 544,271 | \$ 2,290,578 | \$ 2,083,254 | \$ 2,816,945 | \$ 2,627,525 |
| Operating grants and contributions | 360,907 | 381,559 | - | - | 360,907 | 381,559 |
| Capital grants and contributions | 81,708 | 1,108,783 | 491,399 | 1,132,972 | 573,107 | 2,241,755 |
| General revenues: | | | | | | |
| Property taxes | 1,164,493 | 1,040,500 | - | - | 1,164,493 | 1,040,500 |
| Other taxes | 2,939,607 | 2,777,548 | - | - | 2,939,607 | 2,777,548 |
| Other | 153,577 | 72,959 | 3,765 | 6,961 | 157,342 | 79,920 |
| Total revenues | <u>5,226,659</u> | <u>5,925,620</u> | <u>2,785,742</u> | <u>3,223,187</u> | <u>8,012,401</u> | <u>9,148,807</u> |
| Expenses: | | | | | | |
| General government | 1,469,087 | 1,098,858 | | | 1,469,087 | 1,098,858 |
| Public safety | 2,339,077 | 2,342,093 | | | 2,339,077 | 2,342,093 |
| Highways and public works | 746,540 | 749,492 | | | 746,540 | 749,492 |
| Parks and recreation | 540,680 | 488,314 | | | 540,680 | 488,314 |
| Interest on long-term debt | 9,001 | 13,087 | | | 9,001 | 13,087 |
| Water | - | - | 1,007,212 | 1,123,435 | 1,007,212 | 1,123,435 |
| Garbage | - | - | 658,405 | 639,017 | 658,405 | 639,017 |
| Storm drain | - | - | 251,468 | 203,694 | 251,468 | 203,694 |
| Total expenses | <u>5,104,385</u> | <u>4,691,844</u> | <u>1,917,085</u> | <u>1,966,146</u> | <u>7,021,470</u> | <u>6,657,990</u> |
| Increase in net position before transfers | <u>122,274</u> | <u>1,233,776</u> | <u>868,657</u> | <u>1,257,041</u> | <u>990,931</u> | <u>2,490,817</u> |
| Increase (Decrease) in net position | 122,274 | 1,233,776 | 868,657 | 1,257,041 | 990,931 | 2,490,817 |
| Net position - beginning of year | 23,210,519 | 21,976,743 | 13,135,574 | 11,878,533 | 36,346,093 | 33,855,276 |
| Prior Period Adjustment | (869,238) | - | 40,699 | - | (828,539) | - |
| Net position - end of year | <u>\$ 22,463,555</u> | <u>\$ 23,210,519</u> | <u>\$ 14,044,930</u> | <u>\$ 13,135,574</u> | <u>\$ 36,508,485</u> | <u>\$ 36,346,093</u> |

Governmental activities. Woods Cross City's total governmental activities net position decreased by \$746,964. The revenues increased however the expenditures decreased from the prior year. Key elements are as follows:

- Total revenues decreased by \$698,961 (12%). The decrease in revenue was largely due to the decrease in capital grants and contributions

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2015**

Business-type activities. Business-type activities increased Woods Cross City's net position by \$1,005,904. 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 decreased by \$437,445 (14%). Decrease in revenue was largely due to the decrease in capital grants and contributions.
- Total expenses decreased by \$186,308 (9%), which is mainly due to an decrease in water expenses.

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 \$2,366,242. The unassigned fund balance is \$482,161. Approximately 59% of the combined ending fund balance or \$1,391,052 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 \$482,161, while total fund balance was \$783,703. 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 10.98% of total general fund expenditures, while total fund balance represents 18% of that amount.

The fund balance of Woods Cross City's general fund increased by \$218,990 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 \$18,443, for the Garbage Utility Fund, unrestricted net position amounted to \$17,446, and for the Storm Drain Fund, unrestricted net position amounted to \$97,330.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$131,600. Actual revenues were \$33,275 higher than budget revenues. In addition, expenditures were \$207,916 less than budgeted expenditures. The key factor contributing to this variance is as follows:

- Sales tax was higher than anticipated by \$32,176.
- Expenditures in general government was \$83,596 less than budget.
- Expenditures in parks and recreation was \$68,160 less than budget.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2015**

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, 2015 amounts to \$43,082,000 (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 \$2,895,542 (net of depreciation expense).

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

- Mountain View Park
- Vehicles
- Machinery & equipment
- Infrastructure
- Landscaping
- Water treatment plant & pipeline
- Water system improvements
- 2600 South improvements
- 1500 South improvements

Capital Assets (Net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 9,090,810 | \$ 9,090,810 | \$ 792,321 | \$ 792,321 | \$ 9,883,131 | \$ 9,883,131 |
| Construction in progress | - | 2,039,610 | - | 2,888,169 | - | 4,927,779 |
| Buildings | 890,440 | 927,706 | - | - | 890,440 | 927,706 |
| Improvements | 3,595,998 | 1,949,687 | 20,909,719 | 14,767,207 | 24,505,717 | 16,716,894 |
| Machinery & equipment | 794,844 | 773,648 | 355,581 | 373,036 | 1,150,425 | 1,146,684 |
| Infrastructure | 6,671,817 | 6,584,264 | - | - | 6,671,817 | 6,584,264 |
| Total | \$ 21,043,909 | \$ 21,365,725 | \$ 22,057,621 | \$ 18,820,733 | \$ 43,101,530 | \$ 40,186,458 |

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 \$8,801,716. 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 | |
|-------------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| 2008 Series RDA Tax Increment Bonds | \$ 160,000 | \$ 230,000 | \$ - | \$ - | \$ 160,000 | \$ 230,000 |
| Capital Lease | 43,716 | 63,943 | - | - | 43,716 | 63,943 |
| 2012 Series Water Refunding Bonds | - | - | 4,098,000 | 4,382,000 | 4,098,000 | 4,382,000 |
| 2014 Series Water Reveue Bonds | - | - | 4,500,000 | 2,208,000 | 4,500,000 | 2,208,000 |
| Total | \$ 203,716 | \$ 293,943 | \$ 8,598,000 | \$ 6,590,000 | \$ 8,801,716 | \$ 6,883,943 |

During the current fiscal year the City's total debt increased by \$1,917,773.

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

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2015**

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.

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, 2015

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,778,919 | \$ 121,317 | \$ 1,900,236 |
| Receivables: | | | |
| Taxes | 1,321,336 | - | 1,321,336 |
| Accounts net | 2,236 | 212,049 | 214,285 |
| Internal balances | 33,170 | (33,170) | - |
| Prepays | 1,615 | 117,937 | 119,552 |
| Restricted assets: | | | |
| Cash and cash equivalents | 467,628 | 599,391 | 1,067,019 |
| Receivables - taxes | 105,588 | - | 105,588 |
| Capital assets not being depreciated: | | | |
| Land | 9,090,810 | 792,321 | 9,883,131 |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings | 890,440 | - | 890,440 |
| Improvements | 3,595,998 | 20,909,719 | 24,505,717 |
| Machinery, equipment, and vehicles | 794,844 | 355,581 | 1,150,425 |
| Infrastructure | 6,671,817 | - | 6,671,817 |
| Net Pension Asset | 855 | 147 | 1,002 |
| Total Assets | 24,755,256 | 23,075,292 | 47,830,548 |
| Deferred Outflows of Resources | | | |
| Deferred outflows of resources relating to pensions | 183,794 | 31,523 | 215,317 |
| Total Deferred Outflows of Resources | 183,794 | 31,523 | 215,317 |
| Total Assets and Deferred Outflows of Resources | \$ 24,939,050 | \$ 23,106,815 | \$ 48,045,865 |

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

WOODS CROSS CITY
STATEMENT OF NET POSITION (Continued)
June 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Liabilities | | | |
| Accounts payable | \$ 309,969 | \$ 95,280 | \$ 405,249 |
| Accrued liabilities | 111,623 | 51,963 | 163,586 |
| Developer and customer deposits - restricted asset | 80,304 | 147,301 | 227,605 |
| Accounts payable - restricted asset | 1,498 | - | 1,498 |
| Noncurrent liabilities: | | | |
| Due within one year | 151,560 | 415,108 | 566,668 |
| Due in more than one year | 245,726 | 8,226,714 | 8,472,440 |
| Net pension liability | 645,140 | 110,648 | 755,788 |
| Total Liabilities | 1,545,820 | 9,047,014 | 10,592,834 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 842,962 | - | 842,962 |
| Deferred inflows of resources relating to pensions | 86,713 | 14,871 | 101,584 |
| Total Deferred Inflows of Resources | 929,675 | 14,871 | 944,546 |
| Net Position | | | |
| Net investment in capital assets | 20,840,193 | 13,459,621 | 34,299,814 |
| Restricted for: | | | |
| Impact fees | 582 | 371,790 | 372,372 |
| Property tax increment | 190,905 | - | 190,905 |
| Construction | 297,146 | - | 297,146 |
| Law enforcement | 2,781 | - | 2,781 |
| Debt Service | - | 80,300 | 80,300 |
| Unrestricted | 1,131,948 | 133,219 | 1,265,167 |
| Total Net Position | 22,463,555 | 14,044,930 | 36,508,485 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 24,939,050 | \$ 23,106,815 | \$ 48,045,865 |

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, 2015**

| | <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> |
| Functions/Programs | | | | | | | |
| Government Activities | | | | | | | |
| General governmental | \$ 1,469,087 | \$ 187,195 | \$ - | \$ - | \$ (1,281,892) | \$ - | \$ (1,281,892) |
| Public safety | 2,339,077 | 333,874 | 64,508 | - | (1,940,695) | - | (1,940,695) |
| Highways and public improvements | 746,540 | - | 296,399 | 14,932 | (435,209) | - | (435,209) |
| Parks, recreation, and public property | 540,680 | 5,298 | - | 66,776 | (468,606) | - | (468,606) |
| Interest on long-term debt | 9,001 | - | - | - | (9,001) | - | (9,001) |
| Total Governmental Activities | 5,104,385 | 526,367 | 360,907 | 81,708 | (4,135,403) | - | (4,135,403) |
| Business-type Activities | | | | | | | |
| Water | 1,007,212 | 1,334,700 | - | 283,775 | - | 611,263 | 611,263 |
| Solid waste | 658,405 | 644,486 | - | - | - | (13,919) | (13,919) |
| Storm drain | 251,468 | 311,392 | - | 207,624 | - | 267,548 | 267,548 |
| Total Business-type Activities | 1,917,085 | 2,290,578 | - | 491,399 | - | 864,892 | 864,892 |
| Total Government | \$ 7,021,470 | \$ 2,816,945 | \$ 360,907 | \$ 573,107 | (4,135,403) | 864,892 | (3,270,511) |
| General Revenues | | | | | | | |
| | | | | | 1,164,493 | - | 1,164,493 |
| | | | | | 2,248,976 | - | 2,248,976 |
| | | | | | 690,631 | - | 690,631 |
| | | | | | 9,344 | 3,765 | 13,109 |
| | | | | | 37,251 | - | 37,251 |
| | | | | | 106,982 | - | 106,982 |
| | | | | | 4,257,677 | 3,765 | 4,261,442 |
| | | | | | 122,274 | 868,657 | 990,931 |
| | | | | | 23,210,519 | 13,135,574 | 36,346,093 |
| | | | | | (869,238) | 40,699 | (828,539) |
| | | | | | \$ 22,463,555 | \$ 14,044,930 | \$ 36,508,485 |

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

WOODS CROSS CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

| | General | Capital Projects | Redevelopment Agency | Park Development | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|---------------------------------|-----------------------------|---|---|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 337,213 | \$ 651,454 | \$ 708,453 | \$ - | \$ 81,799 | \$ 1,778,919 |
| Receivables: | | | | | | |
| Taxes | 1,070,733 | - | 250,603 | - | - | 1,321,336 |
| Accounts - net | 2,236 | - | - | - | - | 2,236 |
| Prepays | 1,615 | - | - | - | - | 1,615 |
| Due from other funds | - | 33,170 | - | - | - | 33,170 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | 323,440 | - | - | 582 | 143,606 | 467,628 |
| Receivables | 56,791 | - | - | - | 48,797 | 105,588 |
| Total Assets | \$ 1,792,028 | \$ 684,624 | \$ 959,056 | \$ 582 | \$ 274,202 | \$ 3,710,492 |
| Liabilities | | | | | | |
| Accounts payable | \$ 228,807 | \$ - | \$ 81,162 | \$ - | \$ - | \$ 309,969 |
| Accrued liabilities | 106,855 | - | 2,662 | - | - | 109,517 |
| Developer payable - restricted asset | - | - | - | - | 1,498 | 1,498 |
| Developer deposits - restricted asset | 80,304 | - | - | - | - | 80,304 |
| Total Liabilities | 415,966 | - | 83,824 | - | 1,498 | 501,288 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue - property taxes | 592,359 | - | 250,603 | - | - | 842,962 |
| Total Deferred Inflows of Resources | 592,359 | - | 250,603 | - | - | 842,962 |
| Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Prepays | 1,615 | - | - | - | - | 1,615 |
| Restricted | | | | | | |
| Impact fees | - | - | - | 582 | - | 582 |
| Sales Tax | - | - | - | - | 190,905 | 190,905 |
| Construction | 297,146 | - | - | - | - | 297,146 |
| Law enforcement | 2,781 | - | - | - | - | 2,781 |
| Assigned | | | | | | |
| Capital projects | - | 684,624 | - | - | - | 684,624 |
| Redevelopment | - | - | 624,629 | - | - | 624,629 |
| Subsurface storm drain | - | - | - | - | 81,799 | 81,799 |
| Unassigned | 482,161 | - | - | - | - | 482,161 |
| Total Fund Balances | 783,703 | 684,624 | 624,629 | 582 | 272,704 | 2,366,242 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 1,792,028 | \$ 684,624 | \$ 959,056 | \$ 582 | \$ 274,202 | \$ 3,710,492 |

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, 2015**

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

| | |
|--|--------------------------|
| Total fund balance - governmental funds | \$ 2,366,242 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 21,043,909 |
| The net pension liability resulting from pension liabilities exceeding pension assets is not an available resource and, therefore, is not reported in the funds. | (644,285) |
| Deferred outflows of resources associated with the net pension liability and asset is not an available resource and, therefore, is not reported in the funds. | 183,794 |
| Deferred inflows of resources associated with the net pension liability and asset is not due and the current period and therefore are not recorded in the funds. | (86,713) |
| Accrued interest is not recorded in the funds. | (2,106) |
| Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds. | (397,286) |
| Net position - governmental activities | <u>\$ 22,463,555</u> |

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2015

| | General | Capital Projects | Redevelopment Agency | Park Development | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|---------------------|-------------------------|---------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 3,598,802 | \$ - | \$ 250,603 | \$ - | \$ 254,695 | \$ 4,104,100 |
| Licenses and permits | 130,168 | - | - | - | - | 130,168 |
| Intergovernmental | 360,907 | - | - | - | - | 360,907 |
| Charges for services | 65,959 | - | - | - | - | 65,959 |
| Fines and forfeitures | 333,874 | - | - | - | - | 333,874 |
| Interest | 2,991 | 1,102 | 3,471 | 184 | 1,594 | 9,342 |
| Miscellaneous | 33,574 | - | - | - | 100 | 33,674 |
| Total Revenues | <u>4,526,275</u> | <u>1,102</u> | <u>254,074</u> | <u>184</u> | <u>256,389</u> | <u>5,038,024</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 1,037,327 | - | 148,943 | - | - | 1,186,270 |
| Public safety | 2,328,441 | - | - | - | - | 2,328,441 |
| Highways and public works | 306,164 | - | 346,161 | - | - | 652,325 |
| Parks and recreation | 222,952 | - | - | 30,301 | 171,608 | 424,861 |
| Debt service: | | | | | | |
| Principal | 20,277 | - | 70,000 | - | - | 90,277 |
| Interest | - | - | 11,390 | - | - | 11,390 |
| Capital outlay: | | | | | | |
| Public safety | 124,970 | - | - | - | - | 124,970 |
| Highways and public works | 176,865 | - | - | - | - | 176,865 |
| Parks and recreation | 172,388 | - | - | - | - | 172,388 |
| Total Expenditures | <u>4,389,384</u> | <u>-</u> | <u>576,494</u> | <u>30,301</u> | <u>171,608</u> | <u>5,167,787</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>136,891</u> | <u>1,102</u> | <u>(322,420)</u> | <u>(30,117)</u> | <u>84,781</u> | <u>(129,763)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Capital contributions | - | - | - | 66,776 | - | 66,776 |
| Transfer in | 33,000 | - | - | 605,253 | - | 638,253 |
| Transfer out | (33,000) | (255,253) | - | - | (350,000) | (638,253) |
| Sale of capital assets | 82,099 | - | - | - | - | 82,099 |
| Total Other Financing Sources (Uses) | <u>82,099</u> | <u>(255,253)</u> | <u>-</u> | <u>672,029</u> | <u>(350,000)</u> | <u>148,875</u> |
| Net Change in Fund Balances | 218,990 | (254,151) | (322,420) | 641,912 | (265,219) | 19,112 |
| Fund Balance, Beginning | 564,713 | 938,775 | 947,049 | (641,330) | 537,923 | 2,347,130 |
| Fund Balance, Ending | <u>\$ 783,703</u> | <u>\$ 684,624</u> | <u>\$ 624,629</u> | <u>\$ 582</u> | <u>\$ 272,704</u> | <u>\$ 2,366,242</u> |

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

**WOODS CROSS CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015**

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

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 19,112 |
| 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. | (643,369) |
| Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position. | 499,052 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., donations, trade in) is to increase net assets. | 14,932 |
| Governmental funds expense capital lease expenditures in the current year, however, those expenditures reduce capital lease liabilities in the statement of net position. | 20,227 |
| In the statement of activities, current changes to the net pension asset account to increase pension expense. The Governmental Funds do not adjust pension contribution expense. | 618 |
| In the statement of activities, current changes to the net pension liability account to increase pension expense. The Governmental Funds do not adjust pension contribution expense. | 169,106 |
| In the statement of activities. the current year's pension contributions from January to June are removed from pension expense and shown on the statement of net position as deferred outflows of resources - pensions. The Governmental Funds do not adjust pension | 46,592 |
| In the statement of activities the differences between expected and actual results and changes in assumptions decrease pension expense are shown on the statement of net position as deferred inflows of resources - pensions. The Governmental Funds do not adjust | (86,713) |
| Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position. | 70,000 |
| In the statement of activities, accrued interest on debt is recorded. | 939 |
| 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. | 11,778 |
| | 11,778 |
| Change in net position - governmental activities | \$ 122,274 |

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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>final budget</u> |
|----------------------------|-------------------------|---------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 685,000 | \$ 685,000 | \$ 659,195 | \$ (25,805) |
| Sales and use | 2,164,300 | 2,216,800 | 2,248,976 | 32,176 |
| Franchise | 660,000 | 677,100 | 690,631 | 13,531 |
| Licenses and permits | 122,000 | 124,000 | 130,168 | 6,168 |
| Intergovernmental | 339,000 | 350,000 | 360,907 | 10,907 |
| Charges for services | 65,100 | 69,100 | 65,959 | (3,141) |
| Fines and forfeitures | 300,000 | 345,000 | 333,874 | (11,126) |
| Interest | 4,000 | 4,000 | 2,991 | (1,009) |
| Miscellaneous | 22,000 | 22,000 | 33,574 | 11,574 |
| Total Revenues | <u>4,361,400</u> | <u>4,493,000</u> | <u>4,526,275</u> | <u>33,275</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative | 62,500 | 64,500 | 63,245 | 1,255 |
| Administrative | 259,500 | 279,600 | 255,073 | 24,527 |
| Judicial | 215,300 | 215,300 | 205,991 | 9,309 |
| Data processing | 41,500 | 65,500 | 45,725 | 19,775 |
| Non-departmental | 144,100 | 144,100 | 149,592 | (5,492) |
| City Hall | 43,400 | 60,400 | 54,462 | 5,938 |
| City attorney | 71,000 | 71,000 | 60,192 | 10,808 |
| Community Development | 233,200 | 235,800 | 219,660 | 16,140 |
| Election | - | - | - | - |
| Volunteer services | 4,000 | 5,000 | 3,664 | 1,336 |
| Total general government | <u>1,074,500</u> | <u>1,141,200</u> | <u>1,057,604</u> | <u>83,596</u> |
| Public safety: | | | | |
| Police department | 1,740,600 | 1,807,100 | 1,799,180 | 7,920 |
| Liquor law enforcement | 21,500 | 23,600 | 23,336 | 264 |
| Fire department | 550,000 | 544,000 | 541,203 | 2,797 |
| Building inspection | 80,000 | 85,000 | 72,863 | 12,137 |
| Animal control | 17,500 | 17,500 | 16,829 | 671 |
| Total public safety | <u>2,409,600</u> | <u>2,477,200</u> | <u>2,453,411</u> | <u>23,789</u> |
| Highways and public works: | | | | |
| Streets department | 205,500 | 205,500 | 180,786 | 24,714 |
| City shop | 28,900 | 28,900 | 22,640 | 6,260 |
| Road repairs and equipment | 281,000 | 281,000 | 279,603 | 1,397 |
| Total public works | <u>515,400</u> | <u>515,400</u> | <u>483,029</u> | <u>32,371</u> |
| Parks and recreation | <u>448,000</u> | <u>463,500</u> | <u>395,340</u> | <u>68,160</u> |
| Total Expenditures | <u>\$ 4,447,500</u> | <u>\$ 4,597,300</u> | <u>\$ 4,389,384</u> | <u>\$ 207,916</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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with final budget</u> |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (86,100) | \$ (104,300) | \$ 136,891 | \$ 241,191 |
| Other Financing Sources (Uses) | | | | |
| Capital contributions | - | - | - | - |
| Transfer in | 25,000 | 33,000 | 33,000 | - |
| Transfer out | (25,000) | (33,000) | (33,000) | - |
| Sale of capital assets | 70,000 | 82,000 | 82,099 | 99 |
| Total Other Financing Sources (Uses) | <u>70,000</u> | <u>82,000</u> | <u>82,099</u> | <u>99</u> |
| Net Change in Fund Balance | <u>\$ (16,100)</u> | <u>\$ (22,300)</u> | 218,990 | <u>\$ 241,290</u> |
| Fund Balance, Beginning | | | <u>564,713</u> | |
| Fund Balance, Ending | | | <u>\$ 783,703</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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with final budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 264,000 | \$ 264,000 | \$ 250,603 | \$ (13,397) |
| Interest | 3,000 | 3,000 | 3,471 | 471 |
| Miscellaneous | - | - | - | - |
| Total Revenues | <u>267,000</u> | <u>267,000</u> | <u>254,074</u> | <u>(12,926)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Redevelopment | 524,900 | 544,900 | 495,104 | 49,796 |
| Debt Service: | | | | |
| Principal payments | 70,000 | 70,000 | 70,000 | - |
| Interest payments | 10,000 | 10,000 | 9,890 | 110 |
| Bond trustee fees | 1,500 | 1,500 | 1,500 | - |
| Total Expenditures | <u>606,400</u> | <u>626,400</u> | <u>576,494</u> | <u>49,906</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(339,400)</u> | <u>(359,400)</u> | <u>(322,420)</u> | <u>36,980</u> |
| Net Change in Fund Balance | <u>\$ (339,400)</u> | <u>\$ (359,400)</u> | <u>(322,420)</u> | <u>\$ 36,980</u> |
| Fund Balance, Beginning | | | <u>947,049</u> | |
| Fund Balance, Ending | | | <u>\$ 624,629</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, 2015

| | <u>Water</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total Enterprise</u> |
|---|----------------------|--------------------|---------------------|-----------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 24,176 | \$ 97,141 | \$ 121,317 |
| Accounts receivable, net | 106,999 | 64,380 | 40,670 | 212,049 |
| Prepaid expenses | 117,937 | - | - | 117,937 |
| Total Current Assets | <u>224,936</u> | <u>88,556</u> | <u>137,811</u> | <u>451,303</u> |
| Noncurrent Assets | | | | |
| Restricted assets: | | | | |
| Cash and cash equivalents | 243,557 | - | 355,834 | 599,391 |
| Capital assets: | | | | |
| Land | 792,321 | - | - | 792,321 |
| Improvements | 20,231,649 | - | 7,490,757 | 27,722,406 |
| Office furniture and equipment | 96,264 | - | 14,990 | 111,254 |
| Machinery, equipment, and vehicles | 688,662 | - | 88,446 | 777,108 |
| Less accumulated depreciation | (4,017,594) | - | (3,327,874) | (7,345,468) |
| Net Pension Asset | 97 | 17 | 33 | 147 |
| Total Noncurrent Assets | <u>18,034,956</u> | <u>17</u> | <u>4,622,186</u> | <u>22,657,159</u> |
| Total Assets | <u>18,259,892</u> | <u>88,573</u> | <u>4,759,997</u> | <u>23,108,462</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources relating to pensions | 20,800 | 3,596 | 7,127 | 31,523 |
| Total Deferred Outflows of Resources | <u>20,800</u> | <u>3,596</u> | <u>7,127</u> | <u>31,523</u> |
| Total Deferred Outflows of Resources, and Assets | <u>\$ 18,280,692</u> | <u>\$ 92,169</u> | <u>\$ 4,767,124</u> | <u>\$ 23,139,985</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, 2015

| | <u>Water</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total Enterprise</u> |
|---|----------------------|--------------------|---------------------|-----------------------------|
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 20,140 | \$ 59,116 | \$ 16,024 | \$ 95,280 |
| Compensated absences | 14,108 | - | - | 14,108 |
| Accrued liabilities | 8,778 | 1,289 | 3,238 | 13,305 |
| Accrued interest payable | 38,658 | - | - | 38,658 |
| Due to other funds | 33,170 | - | - | 33,170 |
| Revenue bond payable | 401,000 | - | - | 401,000 |
| Total Current Liabilities | <u>515,854</u> | <u>60,405</u> | <u>19,262</u> | <u>595,521</u> |
| Noncurrent Liabilities | | | | |
| Compensated absences | 29,714 | - | - | 29,714 |
| Developer and customer deposits - restricted asset | 142,301 | - | 5,000 | 147,301 |
| Revenue bond payable | 8,197,000 | - | - | 8,197,000 |
| Net pension liability | 73,009 | 12,622 | 25,017 | 110,648 |
| Total Noncurrent Liabilities | <u>8,442,024</u> | <u>12,622</u> | <u>30,017</u> | <u>8,484,663</u> |
| Total Liabilities | <u>8,957,878</u> | <u>73,027</u> | <u>49,279</u> | <u>9,080,184</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources relating to pensions | 9,813 | 1,696 | 3,362 | 14,871 |
| Total Deferred Inflows of Resources | <u>9,813</u> | <u>1,696</u> | <u>3,362</u> | <u>14,871</u> |
| Total Deferred Inflows of Resources, and Liabilities | <u>8,967,691</u> | <u>74,723</u> | <u>52,641</u> | <u>9,095,055</u> |
| Net Position | | | | |
| Net invested in capital assets | 9,193,302 | - | 4,266,319 | 13,459,621 |
| Restricted for: | | | | |
| Debt service | 80,300 | - | - | 80,300 |
| Impact fees | 20,956 | - | 350,834 | 371,790 |
| Unrestricted | 18,443 | 17,446 | 97,330 | 133,219 |
| Total Net Position | <u>9,313,001</u> | <u>17,446</u> | <u>4,714,483</u> | <u>14,044,930</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 18,280,692</u> | <u>\$ 92,169</u> | <u>\$ 4,767,124</u> | <u>\$ 23,139,985</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, 2015

| | <u>Water</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total Enterprise</u> |
|--|---------------------|--------------------|---------------------|-----------------------------|
| Operating Revenues | | | | |
| Charges for services: | | | | |
| Metered water sales | \$ 1,319,107 | \$ - | \$ - | \$ 1,319,107 |
| Connection and servicing fees | 15,593 | - | - | 15,593 |
| User fees | - | 644,486 | 311,392 | 955,878 |
| Total Operating Revenues | <u>1,334,700</u> | <u>644,486</u> | <u>311,392</u> | <u>2,290,578</u> |
| Operating Expenses | | | | |
| Salaries and wages | 192,109 | 28,295 | 72,043 | 292,447 |
| Employee benefits | 81,602 | 10,934 | 31,308 | 123,844 |
| Office expense and supplies | 13,745 | - | 365 | 14,110 |
| Maintenance and repairs | 74,816 | 17,908 | 3,158 | 95,882 |
| General and administrative | 41,637 | 3,999 | 5,890 | 51,526 |
| Utilities | 69,953 | - | - | 69,953 |
| Professional services | 54,349 | 1,095 | 22,932 | 78,376 |
| Water purchases | 15,634 | - | - | 15,634 |
| Solid waste collection and disposal | - | 595,174 | - | 595,174 |
| Depreciation | 314,167 | - | 97,503 | 411,670 |
| Miscellaneous | 29,728 | 1,000 | 18,269 | 48,997 |
| Total Operating Expenses | <u>887,740</u> | <u>658,405</u> | <u>251,468</u> | <u>1,797,613</u> |
| Operating Income (Loss) | <u>446,960</u> | <u>(13,919)</u> | <u>59,924</u> | <u>492,965</u> |
| Nonoperating Income (Expense) | | | | |
| Interest income | 1,381 | 69 | 2,315 | 3,765 |
| Interest expense | (119,472) | - | - | (119,472) |
| Total Nonoperating Income (Expense) | <u>(118,091)</u> | <u>69</u> | <u>2,315</u> | <u>(115,707)</u> |
| Income (loss) before capital contributions | 328,869 | (13,850) | 62,239 | 377,258 |
| Capital Contributions | | | | |
| Impact fees | 108,102 | - | 139,301 | 247,403 |
| Developer contributions | 175,673 | - | 68,323 | 243,996 |
| Change in Net Position | <u>612,644</u> | <u>(13,850)</u> | <u>269,863</u> | <u>868,657</u> |
| Net Position, Beginning | 8,620,172 | 44,537 | 4,470,865 | 13,135,574 |
| Prior period adjustment | <u>80,185</u> | <u>(13,241)</u> | <u>(26,245)</u> | <u>40,699</u> |
| Net Position, Ending | <u>\$ 9,313,001</u> | <u>\$ 17,446</u> | <u>\$ 4,714,483</u> | <u>\$ 14,044,930</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, 2015

| | <u>Water</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total Enterprise</u> |
|---|-------------------|--------------------|--------------------|-----------------------------|
| Cash Flows From Operating Activities | | | | |
| Receipts from customers and users | \$ 1,344,033 | \$ 643,835 | \$ 313,078 | \$ 2,300,946 |
| Change in customer deposits Increase (Decrease) | 6,855 | - | - | 6,855 |
| Payments to suppliers and service providers | (795,485) | (605,111) | (155,230) | (1,555,826) |
| Payments to employees and related benefits | (286,577) | (41,581) | (106,529) | (434,687) |
| Net cash flows from operating activities | <u>268,826</u> | <u>(2,857)</u> | <u>51,319</u> | <u>317,288</u> |
| Cash Flows From Non-Capital Financing Activities | | | | |
| Due to/from other funds | (32,384) | - | - | (32,384) |
| Net cash flows from non-capital financing activities | <u>(32,384)</u> | <u>-</u> | <u>-</u> | <u>(32,384)</u> |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Acquisition and construction of capital assets | (2,837,899) | - | (409,886) | (3,247,785) |
| Capital contributions received | 108,102 | - | 139,301 | 247,403 |
| Proceeds from bonds | 2,292,000 | - | - | 2,292,000 |
| Principal paid on bonds and leases | (284,000) | - | - | (284,000) |
| Interest Paid | (122,151) | - | - | (122,151) |
| Net cash flows from capital and related financing activities | <u>(843,948)</u> | <u>-</u> | <u>(270,585)</u> | <u>(1,114,533)</u> |
| Cash Flows From Investing Activities | | | | |
| Interest on investments | 1,381 | 69 | 2,315 | 3,765 |
| Net cash flows from investing activities | <u>1,381</u> | <u>69</u> | <u>2,315</u> | <u>3,765</u> |
| Net Increase (Decrease) In Cash and Cash Equivalents | (606,125) | (2,788) | (216,951) | (825,864) |
| Cash and Cash Equivalents, Beginning | <u>849,682</u> | <u>26,964</u> | <u>669,926</u> | <u>1,546,572</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 243,557</u> | <u>\$ 24,176</u> | <u>\$ 452,975</u> | <u>\$ 720,708</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, 2015

| | Water | Solid Waste | Storm Drain | Total Enterprise |
|---|-------------------|--------------------|--------------------|-----------------------------|
| Reconciliation of operating income to net cash flows from operating activities | | | | |
| Earnings (loss) from operations | \$ 446,960 | \$ (13,919) | \$ 59,924 | \$ 492,965 |
| Adjustments to reconcile earnings (loss) to net cash flows from operating activities: | | | | |
| Depreciation | 314,167 | - | 97,503 | 411,670 |
| Changes in assets and liabilities | | | | |
| Accounts receivable, net | 9,333 | (651) | 1,686 | 10,368 |
| Prepaid expenses | (103,379) | - | - | (103,379) |
| Accounts payable | (312,927) | 58,711 | (104,616) | (358,832) |
| Compensated absences | 1,044 | - | - | 1,044 |
| Accrued liabilities | 757 | (46,998) | (3,178) | (49,419) |
| Liabilities payable from restricted assets | (93,984) | - | - | (93,984) |
| Customer deposits | 6,855 | - | - | 6,855 |
| | \$ 268,826 | \$ (2,857) | \$ 51,319 | \$ 317,288 |
| Net cash flows from operating activities | | | | |
| Noncash investing, capital, and financing activities: | | | | |
| Contributions of capital assets | \$ 175,673 | \$ - | \$ 68,323 | \$ 243,996 |

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.

(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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

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.

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.

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)

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.

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.

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)

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.

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.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Capital Assets (Continued)

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) Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a use of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The government reports only one item that qualifies for reporting in this category. Deferred outflows of resources relating to pensions are recorded as required by GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

(J) 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.

(K) 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.

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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) 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 reports two items that qualify for reporting in this category: unavailable revenues from property taxes, and deferred inflows of resources relating to pensions. These amounts are recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources relating to pensions are recorded as required by GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

(M) 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)

(M) 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.

(N) 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.

(O) 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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(P) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$29,328.

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, 2015, 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, 2015, was less than one year.

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

NOTE 2 CASH AND INVESTMENTS (Continued)

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 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, 2015, the City had investments of \$2,864,756 with the PTIF. The fair value of these investments was \$2,878,966. As of June 30, 2015 the PTIF fair value factor was 1.0046043. The PTIF pool has not been rated.

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2015 for all funds is \$0.

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2015:

| | | |
|---|-----------|-------------------------|
| Future construction | \$ | 755,751 |
| Recreation, Arts, Parks | | 582 |
| Water system replacement | | 80,300 |
| Customer/developer deposits | | 227,605 |
| Law enforcement | | 2,781 |
| Total restricted cash | \$ | <u>1,067,019</u> |
| | | |
| Class C road accounts receivable | \$ | 56,791 |
| Rap tax accounts receivable | | 48,797 |
| Total restricted accounts receivable | \$ | <u>105,588</u> |

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, 2015, is as follows:

| | Balance June 30, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|----------------------------------|---------------------|-----------------------|----------------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 9,090,810 | \$ - | \$ - | \$ 9,090,810 |
| Construction in progress | 2,039,610 | - | (2,039,610) | - |
| Total capital assets, not being depreciated | 11,130,420 | - | (2,039,610) | 9,090,810 |
| Capital assets, being depreciated | | | | |
| Infrastructure | 23,227,731 | 436,181 | - | 23,663,912 |
| Buildings | 1,545,393 | - | - | 1,545,393 |
| Improvements other than buildings | 2,676,831 | 1,745,900 | - | 4,422,731 |
| Machinery, equipment, and vehicles | 2,185,792 | 308,550 | (329,027) | 2,165,315 |
| Total capital assets, being depreciated | 29,635,747 | 2,490,630 | (329,027) | 31,797,350 |
| Less accumulated depreciation for | | | | |
| Infrastructure | (16,643,467) | (348,628) | - | (16,992,095) |
| Buildings | (617,687) | (37,266) | - | (654,953) |
| Improvements other than buildings | (727,144) | (99,589) | - | (826,733) |
| Machinery, equipment, and vehicles | (1,412,144) | (157,886) | 199,560 | (1,370,471) |
| Total accumulated depreciation | (19,400,442) | (643,369) | 199,560 | (19,844,251) |
| Total capital assets, being depreciated, net | 10,235,305 | 1,847,261 | (129,467) | 11,953,099 |
| Governmental activities capital assets, net | <u>\$ 21,365,725</u> | <u>\$ 1,847,261</u> | <u>\$ (2,169,077)</u> | <u>\$ 21,043,909</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|-------------------|
| Governmental activities | |
| General government | \$ 37,738 |
| Public safety | 100,245 |
| Highways and public improvements | 381,526 |
| Parks, recreation, and public property | 123,860 |
| Total depreciation expense - governmental activities | <u>\$ 643,369</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, 2015:

| | Balance June 30, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|--|---------------------|-----------------------|--|
| Business-type Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 792,321 | \$ - | \$ - | \$ 792,321 |
| Construction in progress | 2,888,169 | 2,731,539 | (5,619,708) | - |
| Total capital assets, not being depreciated | 3,680,490 | 2,731,539 | (5,619,708) | 792,321 |
| Capital assets, being depreciated | | | | |
| Improvements other than buildings | 21,216,398 | 6,506,008 | - | 27,722,406 |
| Machinery and equipment | 857,651 | 30,711 | - | 888,362 |
| Total capital assets, being depreciated | 22,074,049 | 6,536,719 | - | 28,610,768 |
| Less accumulated depreciation for | | | | |
| Improvements other than buildings | (6,449,191) | (363,496) | - | (6,812,687) |
| Machinery and equipment | (484,615) | (48,166) | - | (532,781) |
| Total accumulated depreciation | (6,933,805) | (411,662) | - | (7,345,468) |
| Total capital assets, being depreciated, net | 15,140,242 | 6,125,058 | - | 21,265,300 |
| Business-type activities capital assets, net | \$ 18,820,732 | \$ 8,856,597 | \$ (5,619,708) | \$ 22,057,621 |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Water | \$ 314,159 |
| Storm Drain | 97,503 |
| Total depreciation expense - business-type activities | \$ 411,662 |

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 \$592,359 and \$250,603, 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, 2015 was not expected to be received within 30 days after the year ended June 30, 2015, 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, 2015.

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, 2015:

| | Long-term debt payable at June 30, 2014 | Additions | Reductions | Long-term debt payable at June 30, 2015 | Due within One Year |
|---|--|--------------------|---------------------|--|--------------------------------|
| Governmental activities | | | | | |
| Series 2008 RDA tax increment | \$ 230,000 | \$ - | \$ (70,000) | \$ 160,000 | \$ 75,000 |
| Capital lease | 63,943 | - | (20,227) | 43,716 | 21,296 |
| Total bonds payable | 293,943 | - | (90,227) | 203,716 | 96,296 |
| Compensated absences | 205,348 | 142,209 | (153,987) | 193,570 | 55,264 |
| Governmental activity long-term liabilities | \$ 499,291 | \$ 142,209 | \$ (244,214) | \$ 397,286 | \$ 151,560 |
| Business-type activities | | | | | |
| Series 2012 Water Revenue | \$4,382,000 | \$ - | \$ (284,000) | \$4,098,000 | \$ 291,000 |
| Series 2014 Water Revenue | 2,208,000 | 2,292,000 | - | 4,500,000 | 110,000 |
| Total bonds payable | 6,590,000 | 2,292,000 | (284,000) | 8,598,000 | 401,000 |
| Compensated absences | 42,778 | 34,457 | (33,413) | 43,822 | 14,108 |
| Business-type activity long-term liabilities | \$6,632,778 | \$2,326,457 | \$ (317,413) | \$8,641,822 | \$ 415,108 |

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, 2015 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-----------------------------|-------------------|-----------------|-------------------|
| 2016 | 75,000 | 5,268 | 80,268 |
| 2017 | 85,000 | 1,828 | 86,828 |
| Total | \$ 160,000 | \$ 7,096 | \$ 167,096 |

**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, 2015 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2016 | 291,000 | 111,856 | 402,856 |
| 2017 | 297,000 | 103,536 | 400,536 |
| 2018 | 306,000 | 95,003 | 401,003 |
| 2019 | 317,000 | 86,188 | 403,188 |
| 2020 | 327,000 | 77,075 | 404,075 |
| 2021-2025 | 1,776,000 | 239,360 | 2,015,360 |
| 2026-2027 | 784,000 | 22,357 | 806,357 |
| Total | <u>\$ 4,098,000</u> | <u>\$ 735,375</u> | <u>\$ 4,833,375</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, 2015 \$3,275,000 has been issued for the Series B bonds and \$1,225,000 has been issued for Series A bond. 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, 2015 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------|---------------------|
| 2016 | \$ 110,000 | \$ - | \$ 110,000 |
| 2017 | 110,000 | - | 110,000 |
| 2018 | 110,000 | - | 110,000 |
| 2019 | 110,000 | - | 110,000 |
| 2020 | 110,000 | - | 110,000 |
| 2021-2025 | 550,000 | - | 550,000 |
| 2026-2030 | 1,410,000 | - | 1,410,000 |
| 2031-2035 | 1,990,000 | - | 1,990,000 |
| Total | <u>\$ 4,500,000</u> | <u>\$ -</u> | <u>\$ 4,500,000</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, 2015.

| <u>Fiscal Year Ending June 30,</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2016 | 23,605 |
| 2017 | 23,605 |
| Total minimum lease payments | 47,210 |
| Less: Amount representing interest | (3,494) |
| Present value of net minimum lease payments | <u>43,716</u> |

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

| | |
|--------------------------|-----------|
| Cost of equipment | \$ 87,548 |
| Accumulated depreciation | \$ 20,227 |

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

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System); are multiple employer, cost sharing, public employees, retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System) are multiple employer, cost sharing, public employees, retirement systems.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

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

NOTE 9 RETIREMENT PLAN (Continued)

Benefits Provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

| System | Final Average Salary | Years of Service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|---|----------------------|---|---|--|
| Noncontributory System | Highest 3 years | 30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65 | 2.0% per year all years | Up to 4% |
| Contributory System | Highest 5 years | 30 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.25% per year to June 1975; 2.00% per year July 1975 to present | Up to 4% |
| Public Safety System | Highest 3 years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 2.5% to 4% depending on the employer |
| Tier 2 Public Employees System | Highest 5 years | 35 years any age 20 years any age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |
| Tier 2 Public Safety and Firefighter System | Highest 5 years | 25 years any age 20 years any age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |

* with actuarial reductions.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

| Utah Retirement Systems | Employee Paid | Paid by Employer for Employee | Employer Contribution Rates |
|--|---------------|-------------------------------|-----------------------------|
| Contributory System | | | |
| 11 - Local Governmental Division Tier 1 | N/A | 6.00% | 14.460% |
| 111 - Local Governmental Division Tier 2 | N/A | N/A | 14.830% |
| Noncontributory System | | | |
| 15 - Local Governmental Division Tier 1 | N/A | N/A | 18.470% |
| Public Safety Retirement System | | | |
| 49 - Other Division B Noncontributory Tier 1 | N/A | N/A | 32.200% |
| 122 - Other Division A Contributory Tier 2 | N/A | N/A | 20.440% |

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

NOTE 9 RETIREMENT PLAN (Continued)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2014, we reported a net pension asset of \$1,002 and a net pension liability of \$755,787.

| | Proportionate Share | Net Pension Asset | Net Pension Liability |
|---|------------------------|-------------------------|-----------------------------|
| Noncontributory System | 0.0830057% | \$ - | \$ 360,430 |
| Contributory System | 0.1459815% | \$ - | \$ 42,107 |
| Public Safety System | 0.8933265% | \$ - | \$ 353,250 |
| Tier 2 Public Employees System | 0.0100314% | 304 | - |
| Tier 2 Public Safety and Firefighter System | 0.0471591% | 698 | - |
| Total Net Pension Asset / Liability | | <u>\$ 1,002</u> | <u>\$ 755,787</u> |

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$184,601. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 29,733 | \$ 18,051 |
| Change in assumptions | - | 83,534 |
| Net difference between projected and actual earnings on pension plan investments | 16,994 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | <u>168,589</u> | <u>-</u> |
| Total | <u>\$ 215,316</u> | <u>\$ 101,585</u> |

\$168,589 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

NOTE 9 RETIREMENT PLAN (Continued)

| <u>Year Ended December 31,</u> | <u>Deferred Outflows (inflow) of Resources</u> |
|--------------------------------|--|
| 2015 | \$ (17,701) |
| 2016 | (12,553) |
| 2017 | (10,450) |
| 2018 | (9,989) |
| 2019 | (3,151) |
| Thereafter | <u>(1,015)</u> |
| Total | <u>\$ (54,859)</u> |

Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75 Percent |
| Salary increases | 3.50 – 10.50 percent, average, including inflation |
| Investment rate of return | 7.50 percent, net of pension plan investment expense, including inflation |

Active member mortality rates are a function of the member’s gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM= Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF= Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC= RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

NOTE 9 RETIREMENT PLAN (Continued)

| Asset Class | Expected Return Arithmetic Basis | | |
|---------------------------|------------------------------------|------------------------------|--|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities | 40% | 7.06% | 2.82% |
| Debt securities | 20% | 0.80% | 0.16% |
| Real assets | 13% | 5.10% | 0.66% |
| Private equity | 9% | 11.30% | 1.02% |
| Absolute return | 18% | 3.15% | 0.57% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Total | 100% | | 5.23% |
| | Inflation | | 2.75% |
| | Expected Arithmetic Nominal Return | | 7.98% |

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---------------------------------|------------------------|--------------------------|------------------------|
| Proportionate share of | | | |
| Net pension (asset) / liability | \$ 1,816,175 | \$ 754,785 | \$ (122,931) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The City has approximately \$57,880 to pay in an outstanding construction commitment to complete the construction of the Woods Cross City Waterline project.

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

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 2015:

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

| <u>Project Area</u> | <u>2015</u> |
|--------------------------|-------------------|
| 500 South Project | \$ 115,335 |
| Total increment received | <u>\$ 115,335</u> |

The Agency expended amounts in the following areas:

| Amounts expended for: | |
|---|-----------------------|
| Administrative costs | \$ 148,943 |
| Property acquisitions and site improvements | 346,161 |
| Debt service costs | <u>81,390</u> |
| Total amounts expended by RDA | <u>\$ 576,494</u> |
| Outstanding bonds and loans to finance RDA projects | <u>\$ 167,096</u> |

NOTE 12 DUE TO/FROM

The composition of inter-fund balances as of June 30, 2015 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> |
| Water | - | 33,170 | 33,170 |
| | <u>\$ -</u> | <u>\$ 33,170</u> | <u>\$ 33,170</u> |

During the year the capital project fund loaned the water fund \$33,170 to cover the negative unrestricted cash in the water fund. This is a short-term loan that is expected to be paid back at a 0% 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, 2015 are as follows:

| | In | Out |
|--------------------|------------|------------|
| Governmental: | | |
| General Fund | \$ 33,000 | \$ 33,000 |
| Capital Projects | - | 255,253 |
| Parks Development | 605,253 | - |
| RAP Tax Fund | - | 350,000 |
| | \$ 638,253 | \$ 638,253 |
| Total Governmental | \$ 638,253 | \$ 638,253 |

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, 2015, 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, 2015, the City paid assessments of \$541,203 and impact fees of \$47,231 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.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 PRIOR PERIOD ADJUSTMENT

GASB 68

In fiscal year 2015, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. As a result, the City has established the following at the government-wide and proprietary fund financial statement level to account for its defined benefit plans with the Utah State Retirement System: net pension asset, deferred outflows of resources – pensions, net pension liability, and deferred inflows of resources – pensions. The net effect of this accounting required a prior period adjustment reducing net position to governmental activities by \$676,807 and business-type activities by \$116,078.

The business-type reduction of \$116,078 is broken out by fund as follows: Water \$76,592, Solid Waste \$13,241, and Storm Drain \$26,245.

Change in Fixed Assets

Additionally in fiscal year 2015, it was discovered that in fiscal year 2014 certain road projects were capitalized and management feels that they should have been expensed. It was also noted that certain water projects were expensed that management feels should have been capitalized. The net effect of correcting this accounting error required a prior period adjustment decreasing net position to governmental activities by \$192,431, and increasing net position to business-type activities by \$156,777 this increase all came from the water fund.

Net Prior Period Adjustment

The net effect of these two prior period adjustments reduced the overall net position of governmental activities by \$869,238 and increased business-type activities by \$40,699.

REQUIRED SUPPLEMENTARY INFORMATION

WOODS CROSS CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2014
Last 10 Fiscal Years*

| | <u>Noncontributory System</u> | <u>Contributory Retirement System</u> | <u>Public Safety System</u> | <u>Tier 2 Public Employees System</u> | <u>Tier 2 Public Safety and Firefighter System</u> |
|--|-----------------------------------|---|---------------------------------|---|--|
| Proportion of the net pension liability (asset) | 0.0830057% | 0.1459815% | 0.8933265% | 0.0100314% | 0.0471591% |
| Proportionate share of the net pension liability (asset) | \$ 360,430 | \$ 42,107 | \$ 353,250 | \$ (304) | \$ (698) |
| Covered employee payroll | \$ 713,125 | \$ 78,149 | \$ 661,207 | \$ 49,308 | \$ 19,411 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 50.5% | 53.9% | 53.4% | -0.6% | -3.6% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.2% | 94.0% | 89.0% | 103.5% | 120.5% |

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

**WOODS CROSS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
December 31, 2014
Last 10 Fiscal Years***

| | Noncontributory System | Contributory Retirement System | Public Safety System | Tier 2 Public Employees System | Tier 2 Public Safety and Firefighter System |
|---|---------------------------|-----------------------------------|-------------------------|--------------------------------------|---|
| Contractually required contribution | \$ 130,462 | \$ 10,832 | \$ 180,788 | \$ 4,139 | \$ 2,125 |
| Contributions in relation to the contractually required contribution | (130,462) | (10,832) | (180,788) | (4,139) | (2,125) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 713,125 | \$ 78,149 | \$ 661,207 | \$ 49,308 | \$ 19,411 |
| Contributions as a percentage of covered-employee payroll ** | 18.29% | 13.86% | 27.34% | 8.39% | 10.95% |

* Amounts presented were determined as of calendar year January 1 – December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above s only for the current year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

**WOODS CROSS CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 – December 31.

Defined Contribution System

December 31, 2014

| | Employee Paid Contribution | Employer Paid Contribution |
|----------------------|----------------------------------|----------------------------------|
| | <hr/> | <hr/> |
| 401(k) Plan | \$ 39,443 | \$ 70,947 |
| 457 Plan | 10,616 | - |
| Roth IRA Plan | 11,200 | - |
| Traditional IRA Plan | - | - |
| HRA Plan | - | - |

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

SUPPLEMENTAL INFORMATION

**WOODS CROSS CITY
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS
June 30, 2015**

| | <u>Special Revenue Fund</u> | | Total Nonmajor Governmental Funds |
|--|---------------------------------------|-------------------|--|
| | <u>Subsurface Storm Drain</u> | <u>RAP Tax</u> | |
| Assets | | | |
| Cash and cash equivalents | \$ 81,799 | \$ - | \$ 81,799 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 143,606 | 143,606 |
| Taxes Receivable | - | 48,797 | 48,797 |
| Total Assets | <u>\$ 81,799</u> | <u>\$ 192,403</u> | <u>\$ 274,202</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 1,498 | \$ 1,498 |
| Total Liabilities | <u>-</u> | <u>1,498</u> | <u>1,498</u> |
| Fund Balances | | | |
| Restricted | | | |
| Sales tax | - | 190,905 | 190,905 |
| Assigned | 81,799 | - | 81,799 |
| Total Fund Balances | <u>\$ 81,799</u> | <u>\$ 190,905</u> | <u>\$ 272,704</u> |
| Total Liabilities and Fund Balances | <u>\$ 81,799</u> | <u>\$ 192,403</u> | <u>\$ 274,202</u> |

WOODS CROSS CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2015

| | <u>Special Revenue Fund</u> | | <u>Total Nonmajor Governmental Funds</u> |
|--|---------------------------------------|-------------------|--|
| | <u>Subsurface Storm Drain</u> | <u>RAP Tax</u> | |
| Revenues | | | |
| Taxes | \$ - | \$ 254,695 | \$ 254,695 |
| Interest | 459 | 1,135 | 1,594 |
| Miscellaneous | 100 | - | 100 |
| Total Revenues | <u>559</u> | <u>255,830</u> | <u>256,389</u> |
| Expenditures | | | |
| Parks and recreation | - | 171,608 | 171,608 |
| Total Expenditures | <u>-</u> | <u>171,608</u> | <u>171,608</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>559</u> | <u>84,222</u> | <u>84,781</u> |
| Other Financing Sources (Uses) | | | |
| Transfer out | - | (350,000) | (350,000) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(350,000)</u> | <u>(350,000)</u> |
| Net Change in Fund Balances | 559 | (265,778) | (265,219) |
| Fund Balance, Beginning | <u>81,240</u> | <u>456,683</u> | <u>537,923</u> |
| Fund Balance, Ending | <u>\$ 81,799</u> | <u>\$ 190,905</u> | <u>\$ 272,704</u> |

**WOODS CROSS CITY
WOODS CROSS, UTAH**

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**WOODS CROSS CITY
SUPPLEMENTARY REPORTS
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**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, 2015, 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 23, 2015.

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 deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be *material weaknesses*.

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 findings 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

December 23, 2015



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, 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, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

| | |
|---|------------------------------|
| Budgetary Compliance | Fund Balance |
| Justice Courts | URS Compliance |
| Enterprise Fund Transfers, Reimbursements, Loans and Services | Open and Public Meetings Act |
| Nepotism | Tax Levy Revenue Recognition |
| Restricted Taxes | Cash Management |

The City received state funding from the following programs classified as major programs for the year ended June 30, 2015.

Drinking Water Board Loan Series 2015 (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, 2015.

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2015, 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

December 23, 2015

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, recording of developer contributed assets, and recording of accounts receivable. 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

The city will do a more detailed review of accounts throughout the year.

STATE COMPLIANCE

Open and Public Meetings Act

Finding:

Utah Code Section 52-4-203(4) (e) requires that within three (3) days of approval of written minutes, those minutes be uploaded. During our audit work, we noted that City Council minutes for the January 20, 2015, city council meeting, which were approved during the February 3, 2015 meeting, were not posted to the Utah Public Notice website until August 6, 2015. We also noted that City Council minutes for the March 3, 2015, city council meeting, which were approved during the March 17, 2015 meeting, were not posted to the Utah Public Notice website until August 6, 2015. This deficiency appears to be due to a lack of training.

Recommendation:

We recommend that the City provide the necessary training to those responsible for posting the approved City Council minutes and, if necessary, put procedures in place to ensure compliance with the requirement to upload to the Utah Public Notice website the written minutes within three (3) days of approval by the City Council.

Management's Response

The City has provided necessary training and is now compliant.

Open and Public Meetings Act

Finding:

According to the Open and Public Meetings Act, Utah Code Section 52-4-104 requires that the presiding officer of a governing body ensure that members of the governing body are provided with annual training on the requirements of open and public meetings.

Recommendation:

We recommend that the City provide the annual training to those on the governing body. Holding the annual training would ensure that the City complies with this specific requirement of the Open and Public Meetings Act.

Management's Response

The City will provide annual training on the requirements of open and public meetings training to those on the governing body.

WOODS CROSS CITY
SCHEDULE OF STATE EXPENDITURES OF STATE AWARDS
For The Year Ended June 30, 2015

| Grant Name | Award/Contract # (if applicable) | Year Subject to Audit | Expenditures |
|--|-------------------------------------|--------------------------|----------------------------|
| <u>UTAH DEPARTMENT OF TRANSPORTATION</u> | | | |
| B&C Road Funds | n/a | FY 2015 | \$ 296,398 |
| Subtotal - Utah Department of Transportation | | | <u>296,398</u> |
| <u>UTAH STATE TAX COMMISSION</u> | | | |
| Alcohol Control Funds | n/a | | 10,833 |
| Subtotal - Utah State Tax Commission | | | <u>10,833</u> |
| <u>UTAH DEPARTMENT OF ENVIROMENTAL QUALITY</u> | | | |
| Drinking Water Board Loan | Series 2014(B) Bond | FY 2015 | 2,628,814 |
| Drinking Water Board Loan | Series 2014(A) Bond | FY 2015 | 159,860 |
| Subtotal - Utah Department of Environmental Quality | | | <u>2,788,674</u> |
| <u>UTAH DEPARTMENT OF NATURAL RESOURCES</u> | | | |
| Division of Wildlife Resources - Angling Grant | #142171 | | 800 |
| Subtotal - Utah Department of Natural Resources | | | <u>800</u> |
| <u>UTAH DEPARTMENT OF PUBLIC SAFETY</u> | | | |
| JAG Grant | 13A | | 13,665 |
| Highway Safety Office - DUI Overtime Reimbursement | PA141004 | | 775 |
| Highway Safety Office - Seat Belt Enforcement | | | 501 |
| Subtotal - Utah Department of Public Safety | | | <u>1,276</u> |
| Total Grant, Contract, and Loan Fund Expenditures | | | <u><u>\$ 3,097,981</u></u> |