

WOODS CROSS CITY CORPORATION

FINANCIAL STATEMENTS

For The Year Ended June 30, 2017

Together With Independent Auditor's Report

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FINANCIAL SECTION



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
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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 Woods Cross City, Utah as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Woods Cross City, Utah'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 an opinion 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 *Governmental 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 Woods Cross City, Utah as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the general fund and the major special revenue funds, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, and the related notes to the required supplementary information, 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 an 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 inquiries 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 an opinion on the financial statements that collectively comprise Woods Cross City, Utah's basic financial statements. 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 financial 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 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 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 15, 2017 on our consideration of Woods Cross City, Utah's internal control over financial reporting and on 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 Woods Cross City, Utah's internal control over financial reporting and compliance.

Keddington & Christensen

Salt Lake City, Utah
December 15, 2017

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2017**

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, 2017.

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 \$38,111,008 (net position). Of this amount, \$1,951,732 (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 activities reported combined ending net position of \$23,111,449. The unrestricted net position is \$898,389.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$995,661, or 16.72% 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, 2017**

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, which are considered to be major funds. Data from the other three governmental funds are combined into a single combined column. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,111,008 at the close of the most recent fiscal year.

By far the largest portion of Woods Cross City's net position (90%) 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.

Woods Cross City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,457,061	\$ 3,310,205	\$ 1,732,183	\$ 1,515,220	\$ 12,189,244	\$ 4,825,425
Capital assets	21,115,468	21,038,396	21,553,944	21,633,748	42,669,412	42,672,144
Total assets	<u>31,572,529</u>	<u>24,348,601</u>	<u>23,286,127</u>	<u>23,148,968</u>	<u>54,858,656</u>	<u>47,497,569</u>
Total deferred outflows of resources	701,587	529,369	120,328	90,792	821,915	620,161
Long-term liabilities outstanding	6,325,545	292,890	7,878,982	8,242,971	14,204,527	8,535,861
Other liabilities	1,896,524	1,183,927	503,642	416,676	2,400,166	1,600,603
Total liabilities	<u>8,222,069</u>	<u>1,476,817</u>	<u>8,382,624</u>	<u>8,659,647</u>	<u>16,604,693</u>	<u>10,136,464</u>
Total deferred inflows of resources	940,598	857,642	24,272	13,879	964,870	871,521
Net position:						
Net investment in capital assets	20,632,690	20,930,976	13,729,944	13,436,748	34,362,634	34,367,724
Restricted	1,580,370	530,266	216,272	504,655	1,796,642	1,034,921
Unrestricted	898,389	1,082,269	1,053,343	624,831	1,951,732	1,707,100
Total net position	<u>\$ 23,111,449</u>	<u>\$ 22,543,511</u>	<u>\$ 14,999,559</u>	<u>\$ 14,566,234</u>	<u>\$ 38,111,008</u>	<u>\$ 37,109,745</u>

An additional portion of Woods Cross City's net position (\$1,796,642) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,951,732) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

	Woods Cross City's Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 501,459	\$ 501,260	\$ 2,423,759	\$ 2,329,634	\$ 2,925,218	\$ 2,830,894
Operating grants and contributions	696,295	399,144	-	-	696,295	399,144
Capital grants and contributions	2,929	-	47,027	210,756	49,956	210,756
General revenues:						
Property taxes	1,561,844	1,242,061	-	-	1,561,844	1,242,061
Other taxes	3,300,322	3,115,966	-	-	3,300,322	3,115,966
Other	544,017	104,750	11,030	8,796	555,047	113,546
Total revenues	6,606,866	5,363,181	2,481,816	2,549,186	9,088,682	7,912,367
Expenses:						
General government	1,494,908	1,333,164	-	-	1,494,908	1,333,164
Public safety	2,637,611	2,422,648	-	-	2,637,611	2,422,648
Highways and public works	1,086,618	807,982	-	-	1,086,618	807,982
Parks and recreation	618,553	696,072	-	-	618,553	696,072
Interest on long-term debt	201,238	8,189	-	-	201,238	8,189
Water	-	-	1,135,843	1,072,330	1,135,843	1,072,330
Solid waste	-	-	639,197	650,722	639,197	650,722
Storm drain	-	-	273,451	304,830	273,451	304,830
Total expenses	6,038,928	5,268,055	2,048,491	2,027,882	8,087,419	7,295,937
Increase (Decrease) in net position	567,938	95,126	433,325	521,304	1,001,263	616,430
Net position - beginning of year	22,543,511	22,463,555	14,566,234	14,044,930	37,109,745	36,508,485
Prior period adjustment	-	(15,170)	-	-	-	(15,170)
Net position - end of year	\$ 23,111,449	\$ 22,543,511	\$ 14,999,559	\$ 14,566,234	\$ 38,111,008	\$ 37,109,745

Governmental activities. Woods Cross City's total governmental activities net position increased by \$567,938. The revenues and expenditures increased from the prior year. Key elements are as follows:

- Total revenues increased by \$1,243,685 (23.19%). The increase in revenue was largely due to an increase in grants and general revenues.
- Total expenses increased by \$770,873 (14.63%). The increase in expenses was largely due to an increase in spending on public safety and highways and public works, as well as more interest paid on long-term debt.

Business-type activities. Business-type activities increased Woods Cross City's net position by \$433,325. 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 \$67,370 (2.64%). Decrease in revenue was largely due to the decrease in capital grants and contributions.
- Total expenses increased by \$20,609 (1.02%), which is mainly due to an increase in water expenses.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

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 \$8,766,582. The unassigned fund balance is \$995,661. Approximately 6% of the combined ending fund balance or \$552,262 is assigned to the capital projects fund, and subsurface 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 \$995,661, while total fund balance was \$7,135,147. 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 16.72% of total general fund expenditures, while total fund balance represents 119.79% of that amount.

The fund balance of Woods Cross City's general fund increased by \$6,119,429 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 \$696,609, for the Solid Waste Utility Fund, unrestricted net position amounted to \$33,586, and for the Storm Drain Fund, unrestricted net position amounted to \$323,148.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$502,500. Actual revenues were \$39,339 higher than budgeted revenues. In addition, expenditures were \$44,073 less than budgeted expenditures. The key factor contributing to this variance is as follows:

- Revenue was higher than anticipated by \$39,339.
- Expenditures in general government were \$53,615 less than budgeted.
- Expenditures in highways and public works were \$24,435 less than budgeted.
- Expenditures in public safety were \$29,431 less than budgeted.
- Expenditures in parks and recreation were \$43,304 less than budgeted.

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, 2017 amounts to \$42,669,412 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and roads. The total decrease in Woods Cross City's investment in capital assets for the current fiscal year was \$2,732 (net of depreciation expense). The decrease is due to depreciation expense and disposals being greater than additions.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

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

- Commencement of Public Works Facility construction
- Legacy Nature Preserve storm drain
- Street overlay projects
- Sidewalk replacement
- 1500 South Water PRV station
- Water line replacements
- Heavy equipment
- Police vehicles

Woods Cross City's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,083,715	\$ 9,090,810	\$ 792,321	\$ 792,321	\$ 9,876,036	\$ 9,883,131
Construction in progress	702,373	14,686	111,648	37,316	814,021	52,002
Buildings	818,117	854,155	-	-	818,117	854,155
Improvements	3,816,265	3,962,722	20,330,581	20,493,476	24,146,846	24,456,198
Machinery & equipment	750,259	807,745	319,394	310,635	1,069,653	1,118,380
Infrastructure	5,944,739	6,308,278	-	-	5,944,739	6,308,278
Total	\$ 21,115,468	\$ 21,038,396	\$ 21,553,944	\$ 21,633,748	\$ 42,669,412	\$ 42,672,144

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 \$13,945,067. All of Woods Cross City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Woods Cross City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
2008 Series RDA Tax Increment Bonds	\$ -	\$ 85,000	\$ -	\$ -	\$ -	\$ 85,000
2012 Series Water Revenue Bonds	-	-	-	3,807,000	-	3,807,000
2014 Series Water Revenue Bonds	-	-	4,280,000	4,390,000	4,280,000	4,390,000
2016 Series Water Revenue Bonds	-	-	3,544,000	-	3,544,000	-
2017 Series Sales Tax Revenue Bonds	5,810,000	-	-	-	5,810,000	-
Plus: Unamortized Premium	311,067	-	-	-	311,067	-
Capital Lease	-	22,420	-	-	-	22,420
Total	\$ 6,121,067	\$ 107,420	\$ 7,824,000	\$ 8,197,000	\$ 13,945,067	\$ 8,304,420

During the current fiscal year the City's total debt increased by \$5,640,647.

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, 2017**

Economic Factors and Next Year's Budgets and Rates

- No increases in taxes or utility rates are planned for the next fiscal year
- With the improving economy overall sales tax collections are anticipated to increase
- As the commercial buildings are completed in the Woods Crossing Project and new businesses move in, sales tax revenues are anticipated to increase above normal growth
- No major increase in building permit revenue and impact fees is anticipated for the next fiscal year

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,451,345	\$ 1,024,262	\$ 2,475,607
Receivables:			
Taxes	1,336,083	-	1,336,083
Accounts - net	3,646	228,259	231,905
Prepays	-	110,455	110,455
Restricted assets:			
Cash and cash equivalents	7,479,954	368,989	7,848,943
Receivables	184,764	-	184,764
Capital assets not being depreciated:			
Land	9,083,715	792,321	9,876,036
Construction in progress	702,373	111,648	814,021
Capital assets, net of accumulated depreciation:			
Buildings	818,117	-	818,117
Improvements	3,816,265	20,330,581	24,146,846
Machinery, equipment, and vehicles	750,259	319,394	1,069,653
Infrastructure	5,944,739	-	5,944,739
Net pension asset	1,269	218	1,487
Total Assets	<u>31,572,529</u>	<u>23,286,127</u>	<u>54,858,656</u>
Deferred Outflows of Resources			
Pensions	701,587	120,328	821,915
Total Assets and Deferred Outflows of Resources	<u>\$ 32,274,116</u>	<u>\$ 23,406,455</u>	<u>\$ 55,680,571</u>

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

WOODS CROSS CITY
STATEMENT OF NET POSITION (Continued)
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable	\$ 386,976	\$ 153,128	\$ 540,104
Accrued liabilities	65,297	26,597	91,894
Payable from restricted assets:			
Accounts payable	385,041	-	385,041
Accrued liabilities	1,222	-	1,222
Developer and customer deposits	59,796	152,717	212,513
Noncurrent liabilities:			
Due within one year	317,163	449,291	766,454
Due in more than one year	6,008,382	7,429,691	13,438,073
Net pension liability	998,192	171,200	1,169,392
Total Liabilities	<u>8,222,069</u>	<u>8,382,624</u>	<u>16,604,693</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	799,073	-	799,073
Pensions	141,525	24,272	165,797
Total Deferred Inflows of Resources	<u>940,598</u>	<u>24,272</u>	<u>964,870</u>
Net Position			
Net investment in capital assets	20,632,690	13,729,944	34,362,634
Restricted for:			
Impact fees	4,851	84,137	88,988
RAP tax	319,736	-	319,736
Construction	494,179	-	494,179
Law enforcement	7,018	-	7,018
Community development	754,586	-	754,586
Debt service	-	132,135	132,135
Unrestricted	898,389	1,053,343	1,951,732
Total Net Position	<u>23,111,449</u>	<u>14,999,559</u>	<u>38,111,008</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,274,116</u>	<u>\$ 23,406,455</u>	<u>\$ 55,680,571</u>

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, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities								
General government	\$ 1,494,908	\$ 198,161	\$ -	\$ -	\$ (1,296,747)	\$ -	\$ (1,296,747)	
Public safety	2,637,611	296,798	65,918	-	(2,274,895)	-	(2,274,895)	
Highways and public works	1,086,618	-	630,377	-	(456,241)	-	(456,241)	
Parks and recreation	618,553	6,500	-	2,929	(609,124)	-	(609,124)	
Interest on long-term debt	201,238	-	-	-	(201,238)	-	(201,238)	
Total Governmental Activities	6,038,928	501,459	696,295	2,929	(4,838,245)	-	(4,838,245)	
Business-type Activities								
Water	1,135,843	1,423,457	-	28,626	-	316,240	316,240	
Solid waste	639,197	657,220	-	-	-	18,023	18,023	
Storm drain	273,451	343,082	-	18,401	-	88,032	88,032	
Total Business-type Activities	2,048,491	2,423,759	-	47,027	-	422,295	422,295	
Total Government	\$ 8,087,419	\$ 2,925,218	\$ 696,295	\$ 49,956	(4,838,245)	422,295	(4,415,950)	
General Revenues								
					1,561,844	-	1,561,844	
					2,570,527	-	2,570,527	
					729,795	-	729,795	
					51,806	9,393	61,199	
					47,060	1,637	48,697	
					445,151	-	445,151	
					5,406,183	11,030	5,417,213	
					Changes in Net Position	567,938	433,325	1,001,263
					Net Position, Beginning	22,543,511	14,566,234	37,109,745
					Net Position, Ending	\$ 23,111,449	\$ 14,999,559	\$ 38,111,008

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

WOODS CROSS CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 899,083	\$ 469,165	\$ -	\$ 83,097	\$ 1,451,345
Receivables:					
Taxes	1,307,024	-	-	-	1,307,024
Accounts - net	3,646	-	29,059	-	32,705
Restricted assets:					
Cash and cash equivalents	6,348,644	-	856,734	274,576	7,479,954
Receivables	134,753	-	-	50,011	184,764
Total Assets	\$ 8,693,150	\$ 469,165	\$ 885,793	\$ 407,684	\$ 10,455,792
Liabilities					
Accounts payable	\$ 386,976	\$ -	\$ -	\$ -	\$ 386,976
Accrued liabilities	57,102	-	-	-	57,102
Payable from restricted assets:					
Accounts payable	284,115	-	100,926	-	385,041
Accrued liabilities	-	-	1,222	-	1,222
Developer deposits	59,796	-	-	-	59,796
Total Liabilities	787,989	-	102,148	-	890,137
Deferred Inflows of Resources					
Unavailable revenue - property taxes	770,014	-	29,059	-	799,073
Fund Balances					
Restricted					
Impact fees	-	-	-	4,851	4,851
RAP tax	-	-	-	319,736	319,736
Construction	494,179	-	-	-	494,179
Law enforcement	7,018	-	-	-	7,018
Unspent bond proceeds	5,638,289	-	-	-	5,638,289
Community development	-	-	754,586	-	754,586
Assigned					
Capital projects	-	469,165	-	-	469,165
Subsurface storm drain	-	-	-	83,097	83,097
Unassigned	995,661	-	-	-	995,661
Total Fund Balances	7,135,147	469,165	754,586	407,684	8,766,582
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 8,693,150	\$ 469,165	\$ 885,793	\$ 407,684	\$ 10,455,792

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, 2017**

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

Total fund balance - governmental funds	\$	8,766,582
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		21,115,468
The net pension liability resulting from pension liabilities exceeding pension assets is not an available resource and, therefore, is not reported in the funds.		(996,923)
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.		701,587
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.		(141,525)
Accrued interest is not recorded in the funds.		(8,195)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds.		<u>(6,325,545)</u>
Net position - governmental activities	\$	<u>23,111,449</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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,185,360	\$ -	\$ 398,094	\$ 278,712	\$ 4,862,166
Licenses and permits	138,903	-	-	-	138,903
Intergovernmental	696,295	-	-	-	696,295
Charges for services	64,979	-	-	-	64,979
Fines and forfeitures	293,876	-	-	-	293,876
Interest	39,865	4,063	5,759	2,117	51,804
Miscellaneous	50,761	-	-	-	50,761
Impact fees	-	-	-	2,929	2,929
Total Revenues	<u>5,470,039</u>	<u>4,063</u>	<u>403,853</u>	<u>283,758</u>	<u>6,161,713</u>
Expenditures					
Current:					
General government	1,238,470	-	283,856	-	1,522,326
Public safety	2,517,963	-	-	-	2,517,963
Highways and public works	628,988	-	-	-	628,988
Parks and recreation	424,996	-	-	21,898	446,894
Debt service:					
Principal	22,421	-	85,000	-	107,421
Interest	200,291	-	5,156	-	205,447
Capital outlay:					
General government	19,415	-	-	-	19,415
Public safety	88,506	-	-	-	88,506
Highways and public works	815,577	-	-	-	815,577
Total Expenditures	<u>5,956,627</u>	<u>-</u>	<u>374,012</u>	<u>21,898</u>	<u>6,352,537</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(486,588)</u>	<u>4,063</u>	<u>29,841</u>	<u>261,860</u>	<u>(190,824)</u>
Other Financing Sources (Uses)					
Issuance of debt	5,810,000	-	-	-	5,810,000
Premium on issuance of debt	319,043	-	-	-	319,043
Transfer in	-	-	100,000	-	100,000
Transfer out	(100,000)	-	-	-	(100,000)
Sale of capital assets	576,974	-	-	-	576,974
Total Other Financing Sources (Uses)	<u>6,606,017</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>6,706,017</u>
Net Change in Fund Balances	6,119,429	4,063	129,841	261,860	6,515,193
Fund Balance, Beginning	<u>1,015,718</u>	<u>465,102</u>	<u>624,745</u>	<u>145,824</u>	<u>2,251,389</u>
Fund Balance, Ending	<u>\$ 7,135,147</u>	<u>\$ 469,165</u>	<u>\$ 754,586</u>	<u>\$ 407,684</u>	<u>\$ 8,766,582</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, 2017**

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

Net change in fund balances - total governmental funds	\$ 6,515,193
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.	(714,602)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the Statement of Net Position.	923,498
Governmental funds have proceeds from the sale of assets as revenue. However, the Statement of Activities reports the gain or loss on the sale of assets.	(131,823)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amounts is the net effect of these differences in the treatment of long-term debt and related items:	(6,021,622)
In the Statement of Activities, accrued interest on debt is recorded.	(7,093)
The Statement of Activities reports the amortization of bond premiums as a reduction of interest expense which is not reported on the fund statements.	7,976
The Statement of Activities reports net pension expense and benefit expense from application of GASB 68 which is not reported in the fund statements.	15,420
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.	<u>(19,009)</u>
Change in net position - governmental activities	<u><u>\$ 567,938</u></u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 685,000	\$ 888,000	\$ 885,038	\$ (2,962)
Sales and use	2,400,000	2,560,000	2,570,527	10,527
Franchise	707,000	729,500	729,795	295
Licenses and permits	185,000	150,000	138,903	(11,097)
Intergovernmental	487,000	634,000	696,295	62,295
Charges for services	77,000	72,000	64,979	(7,021)
Fines and forfeitures	350,000	350,000	293,876	(56,124)
Interest	4,200	11,200	39,865	28,665
Miscellaneous	33,000	36,000	50,761	14,761
Total Revenues	<u>4,928,200</u>	<u>5,430,700</u>	<u>5,470,039</u>	<u>39,339</u>
Expenditures				
Current:				
General government:				
Legislative	71,000	88,000	86,318	1,682
Administrative	293,000	301,000	279,962	21,038
Judicial	199,000	207,000	200,091	6,909
Data processing	47,000	55,000	44,075	10,925
Non-departmental	126,000	257,000	264,095	(7,095)
City hall	42,000	52,000	45,867	6,133
City attorney	80,000	100,000	90,224	9,776
Community development	245,500	244,500	240,366	4,134
Volunteer services	7,000	7,000	6,887	113
Total general government	<u>1,110,500</u>	<u>1,311,500</u>	<u>1,257,885</u>	<u>53,615</u>
Public safety:				
Police department	1,816,000	1,908,000	1,888,678	19,322
Liquor law enforcement	12,000	12,000	11,930	70
Fire department	623,000	583,400	582,072	1,328
Building inspection	150,000	105,000	96,511	8,489
Animal control	25,000	27,500	27,278	222
Total public safety	<u>2,626,000</u>	<u>2,635,900</u>	<u>2,606,469</u>	<u>29,431</u>
Highways and public works:				
Streets department	222,000	373,000	341,291	31,709
City shop	30,000	530,000	602,891	(72,891)
Road repairs and equipment	431,000	566,000	500,383	65,617
Total highways and public works	<u>\$ 683,000</u>	<u>\$ 1,469,000</u>	<u>\$ 1,444,565</u>	<u>\$ 24,435</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued)				
Current:				
Parks and recreation	\$ 484,700	\$ 468,300	\$ 424,996	\$ 43,304
Debt Service:				
Principal	-	24,000	22,421	1,579
Interest	-	92,000	200,291	(108,291)
Total Expenditures	<u>\$ 4,904,200</u>	<u>\$ 6,000,700</u>	<u>\$ 5,956,627</u>	<u>\$ 44,073</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ 24,000</u>	<u>\$ (570,000)</u>	<u>\$ (486,588)</u>	<u>\$ 83,412</u>
Other Financing Sources (Uses)				
Issuance of debt	-	440,000	5,810,000	5,370,000
Premium on issuance of debt	-	-	319,043	319,043
Transfer out	-	(100,000)	(100,000)	-
Sale of capital assets	-	130,000	576,974	446,974
Total Other Financing				
Sources (Uses)	<u>-</u>	<u>470,000</u>	<u>6,606,017</u>	<u>6,136,017</u>
Net Change in Fund Balance	<u>\$ 24,000</u>	<u>\$ (100,000)</u>	6,119,429	<u>\$ 6,219,429</u>
Fund Balance, Beginning			<u>1,015,718</u>	
Fund Balance, Ending			<u>\$ 7,135,147</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 262,000	\$ 355,000	\$ 398,094	\$ 43,094
Interest	3,000	3,000	5,759	2,759
Miscellaneous	-	-	-	-
Total Revenues	<u>265,000</u>	<u>358,000</u>	<u>403,853</u>	<u>45,853</u>
Expenditures				
Current:				
General government:				
Community development	195,400	386,400	283,856	102,544
Debt Service:				
Principal	85,000	85,000	85,000	-
Interest	3,500	5,500	5,156	344
Total Expenditures	<u>283,900</u>	<u>476,900</u>	<u>374,012</u>	<u>102,888</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,900)</u>	<u>(118,900)</u>	<u>29,841</u>	<u>148,741</u>
Other Financing Sources (Uses)				
Transfer in	-	118,900	100,000	18,900
Total Other Financing Sources (Uses)	<u>-</u>	<u>118,900</u>	<u>100,000</u>	<u>18,900</u>
Net Change in Fund Balance	<u>\$ (18,900)</u>	<u>\$ -</u>	<u>129,841</u>	<u>\$ 129,841</u>
Fund Balance, Beginning			<u>624,745</u>	
Fund Balance, Ending			<u>\$ 754,586</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, 2017

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 641,239	\$ 30,577	\$ 352,446	\$ 1,024,262
Accounts receivable, net	132,890	60,871	34,498	228,259
Prepaid expenses	110,455	-	-	110,455
Total Current Assets	<u>884,584</u>	<u>91,448</u>	<u>386,944</u>	<u>1,362,976</u>
Noncurrent Assets				
Restricted assets:				
Cash and cash equivalents	284,852	-	84,137	368,989
Capital assets:				
Land	792,321	-	-	792,321
Construction on progress	67,949	-	43,699	111,648
Improvements	20,218,029	-	7,821,276	28,039,305
Office furniture and equipment	96,264	-	14,990	111,254
Machinery, equipment, and vehicles	745,786	-	90,018	835,804
Less accumulated depreciation	(4,786,125)	-	(3,550,263)	(8,336,388)
Net Pension Asset	144	25	49	218
Total Noncurrent Assets	<u>17,419,220</u>	<u>25</u>	<u>4,503,906</u>	<u>21,923,151</u>
Total Assets	<u>18,303,804</u>	<u>91,473</u>	<u>4,890,850</u>	<u>23,286,127</u>
Deferred Outflows of Resources				
Pensions	79,397	13,726	27,205	120,328
Total Assets and Deferred Outflows of Resources	<u>\$ 18,383,201</u>	<u>\$ 105,199</u>	<u>\$ 4,918,055</u>	<u>\$ 23,406,455</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, 2017

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 59,006	\$ 48,701	\$ 45,421	\$ 153,128
Compensated absences	14,291	-	-	14,291
Accrued liabilities	3,876	615	1,433	5,924
Accrued interest payable	20,673	-	-	20,673
Revenue bonds payable	435,000	-	-	435,000
Total Current Liabilities	<u>532,846</u>	<u>49,316</u>	<u>46,854</u>	<u>629,016</u>
Noncurrent Liabilities				
Compensated absences	40,691	-	-	40,691
Payable from restricted assets:				
Customer deposits	152,717	-	-	152,717
Revenue bonds payable	7,389,000	-	-	7,389,000
Net pension liability	112,963	19,529	38,708	171,200
Total Noncurrent Liabilities	<u>7,695,371</u>	<u>19,529</u>	<u>38,708</u>	<u>7,753,608</u>
Total Liabilities	<u>8,228,217</u>	<u>68,845</u>	<u>85,562</u>	<u>8,382,624</u>
Deferred Inflows of Resources				
Pensions	16,016	2,768	5,488	24,272
Total Liabilities and Deferred Inflows of Resources	<u>8,244,233</u>	<u>71,613</u>	<u>91,050</u>	<u>8,406,896</u>
Net Position				
Net investment in capital assets	9,310,224	-	4,419,720	13,729,944
Restricted for:				
Debt service	132,135	-	-	132,135
Impact fees	-	-	84,137	84,137
Unrestricted	696,609	33,586	323,148	1,053,343
Total Net Position	<u>10,138,968</u>	<u>33,586</u>	<u>4,827,005</u>	<u>14,999,559</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 18,383,201</u>	<u>\$ 105,199</u>	<u>\$ 4,918,055</u>	<u>\$ 23,406,455</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, 2017

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
Operating Revenues				
Charges for services:				
Metered water sales	\$ 1,405,182	\$ -	\$ -	\$ 1,405,182
Connection and servicing fees	18,275	-	-	18,275
User fees	-	657,220	343,082	1,000,302
Miscellaneous	1,637	-	-	1,637
Total Operating Revenues	<u>1,425,094</u>	<u>657,220</u>	<u>343,082</u>	<u>2,425,396</u>
Operating Expenses				
Salaries and wages	214,841	30,555	76,430	321,826
Employee benefits	107,231	15,248	42,245	164,724
Office expense and supplies	3,067	-	884	3,951
Maintenance and repairs	113,849	7,151	649	121,649
General and administrative	7,618	4,000	25,220	36,838
Utilities	71,156	-	-	71,156
Professional services	28,153	1,530	6,495	36,178
Water purchases	17,017	-	-	17,017
Solid waste collection and disposal	-	579,713	-	579,713
Depreciation	411,560	-	112,942	524,502
Miscellaneous	39,016	1,000	8,586	48,602
Total Operating Expenses	<u>1,013,508</u>	<u>639,197</u>	<u>273,451</u>	<u>1,926,156</u>
Operating Income (Loss)	<u>411,586</u>	<u>18,023</u>	<u>69,631</u>	<u>499,240</u>
Nonoperating Income (Expense)				
Interest income	5,809	170	3,414	9,393
Interest expense	(106,629)	-	-	(106,629)
Gain (loss) from sale of capital assets	(15,706)	-	-	(15,706)
Total Nonoperating Income (Expense)	<u>(116,526)</u>	<u>170</u>	<u>3,414</u>	<u>(112,942)</u>
Income (loss) before capital contributions	295,060	18,193	73,045	386,298
Capital Contributions				
Impact fees	28,626	-	18,401	47,027
Change in Net Position	<u>323,686</u>	<u>18,193</u>	<u>91,446</u>	<u>433,325</u>
Net Position, Beginning	<u>9,815,282</u>	<u>15,393</u>	<u>4,735,559</u>	<u>14,566,234</u>
Net Position, Ending	<u>\$ 10,138,968</u>	<u>\$ 33,586</u>	<u>\$ 4,827,005</u>	<u>\$ 14,999,559</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, 2017

	<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	\$ 1,409,271	\$ 660,940	\$ 341,756	\$ 2,411,967
Receipts from customer deposits	7,625	-	-	7,625
Payments to suppliers of goods or services	(225,919)	(593,756)	(15,677)	(835,352)
Payments to employees and related benefits	(314,101)	(45,986)	(119,067)	(479,154)
Net cash flows from operating activities	<u>876,876</u>	<u>21,198</u>	<u>207,012</u>	<u>1,105,086</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(123,501)	-	(336,902)	(460,403)
Impact fees received	28,626	-	18,401	47,027
Proceeds from issuance of long-term debt	3,891,000	-	-	3,891,000
Principal paid on long-term debt	(4,264,000)	-	-	(4,264,000)
Interest paid	(124,614)	-	-	(124,614)
Net cash flows from capital and related financing activities	<u>(592,489)</u>	<u>-</u>	<u>(318,501)</u>	<u>(910,990)</u>
Cash Flows From Investing Activities				
Interest on investments	5,809	170	3,414	9,393
Net cash flows from investing activities	<u>5,809</u>	<u>170</u>	<u>3,414</u>	<u>9,393</u>
Net Increase (Decrease) In Cash and Cash Equivalents	290,196	21,368	(108,075)	203,489
Cash and Cash Equivalents, Beginning	<u>635,895</u>	<u>9,209</u>	<u>544,658</u>	<u>1,189,762</u>
Cash and Cash Equivalents, Ending	<u>\$ 926,091</u>	<u>\$ 30,577</u>	<u>\$ 436,583</u>	<u>\$ 1,393,251</u>
Reconciliation of operating income to net cash flows from operating activities				
Earnings (loss) from operations	\$ 411,586	\$ 18,023	\$ 69,631	\$ 499,240
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:				
Depreciation	411,560	-	112,942	524,502
Changes in assets and liabilities				
Accounts receivable, net	(15,823)	3,720	(1,326)	(13,429)
Prepaid expenses	22	-	-	22
Accounts payable	53,935	(362)	26,157	79,730
Compensated absences	9,011	-	-	9,011
Accrued liabilities	(1,040)	(183)	(392)	(1,615)
Customer deposits	7,625	-	-	7,625
Net cash flows from operating activities	<u>\$ 876,876</u>	<u>\$ 21,198</u>	<u>\$ 207,012</u>	<u>\$ 1,105,086</u>

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

WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(A) The Reporting Entity

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

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

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

(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, additional transit 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 acquisition 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 of Resources

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.

Components of cash and investments (including interest earning deposits) at June 30, 2017 are as follows:

Cash on hand and on deposit:	
Petty cash	\$ 1,200
Cash on deposit	122,687
Bond reserve	62,400
Unspent bond proceeds	5,638,289
PTIF investment	4,499,974
Total cash and investments	\$ 10,324,550
 Cash and investments are included in the accompanying combined statement of net position as follows:	
Cash and cash equivalents	\$ 2,475,607
Restricted cash and cash equivalents	7,848,943
Total cash and investments	\$ 10,324,550

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, 2017 the balance of deposit accounts exposed to custodial credit risk because it was uninsured and uncollateralized was \$54,224.

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.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

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.

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.

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 Treasurer's Office.

For the year ended June 30, 2017, the City had investments of \$4,499,974 with the PTIF. This investment matures in less than one year and is not rated.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

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

NOTE 2 CASH AND INVESTMENTS (Continued)

At June 30, 2017, the City had the following cash and investments:

	<u>Carrying Value</u>	<u>Fair Value Factor</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Avg. Maturity (Years)</u>
Cash on hand and on deposit:					
Cash on hand	\$ 1,200	1	\$ 1,200	N/A	N/A
Cash on deposit	122,687	1	122,687	N/A	N/A
Bond reserve	62,400	1	62,400	N/A	N/A
Unspent bond proceeds	5,638,289	1	5,638,289	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>4,499,974</u>	1.004719	<u>4,521,211</u>	N/A	N/A
Total cash on hand and deposit	<u>\$10,324,550</u>		<u>\$10,345,787</u>		

The fair value measurement of the City's PTIF investments is considered level 2.

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2017 for all funds is \$4,436.

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2017:

Impact fees	\$ 88,988
RAP tax	269,725
Construction	643,541
Law enforcement	7,018
Developer and customer deposits	212,513
Unspent bond proceeds	5,638,289
Community development	856,734
Debt service	<u>132,135</u>
Total restricted cash	<u>\$ 7,848,943</u>
Class C road/prop one accounts receivable	\$ 134,753
RAP tax accounts receivable	<u>50,011</u>
Total restricted accounts receivable	<u>\$ 184,764</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, 2017, is as follows:

Governmental activities:	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 9,090,810	\$ -	\$ (7,095)	\$ 9,083,715
Construction in progress	14,686	687,687	-	702,373
Total capital assets, not being depreciated	9,105,496	687,687	(7,095)	9,786,088
Capital assets, being depreciated:				
Infrastructure	23,663,912	-	-	23,663,912
Buildings	1,545,393	-	-	1,545,393
Improvements other than buildings	4,918,579	-	-	4,918,579
Machinery and equipment	2,326,557	235,811	(134,052)	2,428,316
Total capital assets, being depreciated	32,454,441	235,811	(134,052)	32,556,200
Less accumulated depreciation for:				
Infrastructure	(17,355,634)	(363,539)	-	(17,719,173)
Buildings	(691,238)	(36,038)	-	(727,276)
Improvements other than buildings	(955,857)	(146,457)	-	(1,102,314)
Machinery and equipment	(1,518,812)	(168,568)	9,323	(1,678,057)
Total accumulated depreciation	(20,521,541)	(714,602)	9,323	(21,226,820)
Total capital assets, being depreciated, net	11,932,900	(478,791)	(124,729)	11,329,380
Governmental activities capital assets, net	\$ 21,038,396	\$ 208,896	\$ (131,824)	\$ 21,115,468

Governmental activities depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 39,234
Public safety	119,910
Highways and public works	384,883
Parks and recreation	170,575
Total depreciation expense - governmental activities	\$ 714,602

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, 2017:

Business-type Activities:	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	\$ 792,321	\$ -	\$ -	\$ 792,321
Construction in progress	37,316	111,648	(37,316)	111,648
Total capital assets, not being depreciated	<u>829,637</u>	<u>111,648</u>	<u>(37,316)</u>	<u>903,969</u>
Capital assets, being depreciated				
Improvements other than buildings	27,780,286	330,519	(71,500)	28,039,305
Machinery and equipment	891,506	55,552	-	947,058
Total capital assets, being depreciated	<u>28,671,792</u>	<u>386,071</u>	<u>(71,500)</u>	<u>28,986,363</u>
Less accumulated depreciation for				
Improvements other than buildings	(7,286,810)	(477,709)	55,795	(7,708,724)
Machinery and equipment	(580,871)	(46,793)	-	(627,664)
Total accumulated depreciation	<u>(7,867,681)</u>	<u>(524,502)</u>	<u>55,795</u>	<u>(8,336,388)</u>
Total capital assets, being depreciated, net	<u>20,804,111</u>	<u>(138,431)</u>	<u>(15,705)</u>	<u>20,649,975</u>
Business-type activities capital assets, net	<u>\$ 21,633,748</u>	<u>\$ (26,783)</u>	<u>\$ (53,021)</u>	<u>\$ 21,553,944</u>

Business-type activities depreciation expense was charged to functions/programs as follows:

Business-type activities	
Water	\$ 411,560
Storm drain	<u>112,942</u>
Total depreciation expense - business-type activities	<u>\$ 524,502</u>

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 \$770,014 and \$29,059, 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, 2017 was not expected to be received within 30 days after the year ended June 30, 2017, 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, 2017.

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, 2017:

Governmental activities	Long-term debt payable at			Long-term debt payable at		Due within One Year
	June 30, 2016	Additions	Deletions	June 30, 2017		
2008 RDA tax increment	\$ 85,000	\$ -	\$ (85,000)	\$ -	\$ -	-
2017 Sales tax revenue	-	5,810,000	-	5,810,000		205,000
Plus: unamortized premium	-	319,043	(7,976)	311,067		15,952
Capital lease - software	22,420	-	(22,420)	-		-
Total bonds and leases payable	107,420	6,129,043	(115,396)	6,121,067		220,952
Compensated absences	185,470	151,511	(132,503)	204,478		96,211
Governmental activity long-term liabilities	\$ 292,890	\$ 6,280,554	\$ (247,899)	\$ 6,325,545		\$ 317,163
Business-type activities						
2012 Water revenue refunding	\$ 3,807,000	\$ -	\$ (3,807,000)	\$ -	\$ -	-
2014 Water revenue	4,390,000	-	(110,000)	4,280,000		110,000
2016 Water revenue refunding	-	3,891,000	(347,000)	3,544,000		325,000
Total bonds payable	8,197,000	3,891,000	(4,264,000)	7,824,000		435,000
Compensated absences	45,971	45,788	(36,777)	54,982		14,291
Business-type activity long-term liabilities	\$ 8,242,971	\$ 3,936,788	\$ (4,300,777)	\$ 7,878,982		\$ 449,291

RDA 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 percent. The bonds were issued at a discount for \$1,842,400 and were paid off during the current year.

Sales Tax Revenue Bonds, Series 2017

In February 2017, the City issued \$5,810,000 in Sales Tax Revenue Bonds, Series 2017, at a premium of \$319,043. The bonds are due in annual principal installments through June 2037, with interest payments due semiannually. The bonds carry an interest rate between 2 and 4 percent. The bonds were issued for the purpose of financing the acquisition, construction, equipping and furnishing of a public works building complex.

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

NOTE 7 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity for the Sales Tax Revenue Bonds, Series 2017, as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 205,000	\$ 194,763	\$ 399,763
2019	210,000	189,563	399,563
2020	215,000	182,113	397,113
2021	225,000	173,313	398,313
2022	235,000	164,113	399,113
2023-2027	1,325,000	669,988	1,994,988
2028-2032	1,565,000	431,488	1,996,488
2033-2037	1,830,000	162,744	1,992,744
	<u>5,810,000</u>	<u>\$ 2,168,081</u>	<u>\$ 7,978,081</u>
Plus: unamortized premium	<u>311,067</u>		
Total	<u>\$ 6,121,067</u>		

Water Revenue Refunding Bonds, Series 2012

The Water Revenue Refunding Bonds, Series 2012, were 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 percent. 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 bonds were refinanced during the current year with the issuance of the Water Revenue Refunding Bonds, Series 2016.

Water Revenue Bonds, Series 2014 A and B

The Water Revenue Refunding Bonds, Series 2014 A and B were issued in 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, 2016 \$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 percent. The bonds require replacement reserves of 5 percent of the City's annual operating budget, and debt service reserves of \$208,000 to be established evenly over 10 years.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest, for the Water Revenue Bonds Series 2014, as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 110,000	\$ -	\$ 110,000
2019	110,000	-	110,000
2020	110,000	-	110,000
2021	110,000	-	110,000
2022	110,000	-	110,000
2023-2027	550,000	-	550,000
2028-2032	1,986,000	-	1,986,000
2033-2035	1,194,000	-	1,194,000
Total	\$ 4,280,000	\$ -	\$ 4,280,000

Water Revenue Refunding Bonds, Series 2016

In July 2016, the City issued \$3,891,000 in Water Revenue Refunding Bonds, Series 2016. The bonds are due in annual principal installments through September 2026, with interest payments due semiannually. The bonds carry an interest rate 1.75 percent. The bonds were issued to refinance the Water Revenue Refunding Bonds, Series 2012, in a current refunding. The refinance provided a cash savings to the City of \$182,931. The economic gain on this refunding was \$118,711.

The annual debt service requirements to maturity for the Water Revenue Refunding Bonds, Series 2016, as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 325,000	\$ 62,020	\$ 387,020
2019	333,000	56,333	389,333
2020	340,000	50,505	390,505
2021	346,000	44,555	390,555
2022	351,000	38,500	389,500
2023-2027	1,849,000	98,245	1,947,245
	\$ 3,544,000	\$ 350,158	\$ 3,894,158

Capital Lease - Software

In March 2014, the City acquired software for its public safety department through a capital lease agreement for \$94,420. Collateral held on the lease is the software. This lease was paid off during 2017.

Pledged Revenues

The City has pledged future sales tax increment revenues to repay \$5,810,000 in sales tax revenue bonds issued in February 2017 to finance the acquisition, construction, equipping and furnishing of a public works building complex. The bonds are payable solely from the sales tax revenues received by the City.

The City has pledged future water customer revenues, net of specified operating expenses, to repay water revenue bonds issued in 2016. Proceeds from the Series 2016 Bonds provided financing to refund the Series 2012 Bonds. The bonds are payable solely from water customer net revenues.

The City has pledged the net revenues of the water system to fund the Water Revenue Refunding Bonds, Series 2015 A and B.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 RISK MANAGEMENT

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

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

NOTE 9 RETIREMENT PLAN

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:

Defined Benefit Plans

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

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 Systems' 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 Utah State Retirement 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 percentage 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 25 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% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years any age 20 years 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 Utah State Retirement 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.

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

NOTE 9 RETIREMENT PLAN (Continued)

Contribution rates as of June 30, 2017 are as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System:			
11 Local Government Div - Tier 1	6.00%	14.46%	N/A
111 Local Government Div - Tier 2	N/A	14.91%	1.78%
Noncontributory System			
15 Local Government Div - Tier 1	N/A	18.47%	N/A
Public Safety System			
Contributory			
122 Tier 2 DB Hybrid Public Safety	N/A	20.39%	1.33%
Noncontributory			
49 Other Div B with 2.5% COLA	N/A	32.20%	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69%	10.00%
222 Public Safety	N/A	9.72%	12.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 plans.

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 141,743	N/A
Contributory System	12,231	-
Public Safety System	151,587	-
Tier 2 Public Employees System	17,454	-
Tier 2 Public Safety and Firefighter	40,799	-
Total Contributions	\$ 363,814	\$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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 June 30, 2017, we reported a net pension asset of \$1,487 and a net pension liability of \$1,169,392.

	(Measurement Date): December 31, 2016				
	Net Pension	Net Pension	Proportionate	Proportionate	Change
	Asset	Liability	Share	Share	(Decrease)
				December 31,	
				2015	
Noncontributory System	\$ -	\$ 544,480	0.0847940%	0.0854994%	-0.0007054%
Contributory System	-	111,554	0.3399872%	0.1829928%	0.1569944%
Public Safety System	-	511,955	0.8213653%	0.9095581%	-0.0881928%
Tier 2 Public Employees System	-	1,403	0.0125804%	0.0120101%	0.0005703%
Tier 2 Public Safety and Firefighter	1,487	-	0.1713381%	0.0687667%	0.1025714%
	<u>\$ 1,487</u>	<u>\$ 1,169,392</u>			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, we recognized pension expense of \$345,752.

At June 30, 2017 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ 178,350	\$ 16,816
Changes in assumptions	176,116	44,098
Net difference between projected and actual earnings on pension plan investments	271,955	79,778
Changes in proportion and differences between contributions and proportionate share of contributions	11,430	25,105
Contributions subsequent to the measurement date	184,064	-
	<u>\$ 821,915</u>	<u>\$ 165,797</u>

\$184,064 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, 2016.

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

NOTE 9 RETIREMENT PLAN (Continued)

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:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	\$ 135,188
2018	135,878
2019	142,947
2020	40,336
2021	16,853
Thereafter	852
	\$ 472,054

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 – 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 and is applied consistently to each defined benefit pension plan. 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.

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

NOTE 9 RETIREMENT PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 1,127,805	\$ 544,481	\$ 57,729
Public Safety System	268,548	111,554	(20,698)
Firefighters System	1,060,902	511,955	63,342
Tier 2 Public Employees System	9,552	1,403	(4,796)
Tier 2 Public Safety and Firefighter	10,406	(1,487)	(10,627)
Total	\$ 2,477,213	\$ 1,167,906	\$ 84,950

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

NOTE 9 RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

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

Defined Contributions Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Woods Cross City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plan for fiscal year ended June 30, were as follows:

	2017	2016	2015
<i>401(k) Plan</i>			
Employer Contributions	\$ 74,012	\$ 65,056	\$ 73,602
Employee Contributions	30,090	33,273	37,655
<i>457 Plan</i>			
Employer Contributions	\$ 10,536	\$ 8,710	\$ 2,127
Employee Contributions	16,414	18,219	16,100
<i>Roth IRA Plan</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 7,800	\$ 9,000	\$ 11,700

NOTE 10 COMMITMENTS AND CONTINGENCIES

The City has approximately \$5,638,000 to pay in an outstanding construction commitment to complete the construction of the Public Works Facility.

NOTE 11 FIRE AND EMERGENCY MEDICAL SERVICES

The South Davis Metro Fire Service Area (SDMFSA) is a special service district organized on July 1, 2016. SDMFSA provides fire and emergency medical services to the cities of Bountiful, Centerville, North Salt Lake, West Bountiful, Woods Cross and the unincorporated areas of South Davis County. SDMFSA is governed by its own Board of Trustees made up of elected officials from each participating member entity. SDMFSA does levy taxes and collect impact fees to cover most capital expenditures; however, most of the SDMFSA’s operations are funded by quarterly member assessments. For the year ended June 30, 2017, the City paid \$582,072 to SDMFSA for its member assessments and \$2,205 in impact fees.

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

NOTE 12 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 2017:

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

<u>Project Area</u>	<u>2017</u>
500 South Project	\$ 398,094
Total increment received	<u>\$ 398,094</u>

The Agency expended amounts in the following areas:

Amounts expended for:	
Tax increment paid to other taxing agencies	\$ 87,810
Administrative costs	96,046
Property acquisitions and site improvements	100,000
Debt service costs	<u>90,156</u>
Total amounts expended by RDA	<u>\$ 374,012</u>

NOTE 13 CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2017, there is only one series of industrial development bonds issued and outstanding. The original issue amount was \$3,605,000.

NOTE 14 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, 2017, are as follows:

	<u>In</u>	<u>Out</u>
Governmental:		
General Fund	\$ -	\$ 100,000
RDA Fund	<u>100,000</u>	<u>-</u>
Total Governmental	<u>\$ 100,000</u>	<u>\$ 100,000</u>

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 TRANSFERS (Continued)

The \$100,000 transfer from the General Fund to the Redevelopment Agency Fund was to reimburse the developer of the Woods Crossing Project located in the 2600 South community Development Project Area, for work done to improve Wildcat Way as part of the project. The payment was agreed upon through a participation agreement entered into between the Redevelopment Agency and the developer. Subsequent to the participation agreement being entered into between the Redevelopment Agency and the developer, the Redevelopment Agency entered into an agreement with the City in which the City agreed to reimburse the RDA for the work done on Wildcat Way.

REQUIRED SUPPLEMENTARY INFORMATION

WOODS CROSS CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2016
Last 10 Fiscal Years*

For the year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered Payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory Retirement System					
2016	0.0847940%	\$ 544,480	\$ 746,802	72.91%	87.30%
2015	0.0854994%	483,797	733,807	65.93%	87.80%
2014	0.0830057%	360,430	731,125	50.50%	90.20%
Contributory Retirement System					
2016	0.3399872%	\$ 111,554	\$ 81,576	136.75%	92.90%
2015	0.1829928%	128,617	77,971	164.96%	85.70%
2014	0.1459815%	42,107	78,149	53.90%	94.00%
Public Safety System					
2016	0.8213653%	\$ 511,955	\$ 665,432	76.94%	86.10%
2015	0.9095581%	443,820	714,172	62.14%	87.60%
2014	0.8933265%	353,250	661,207	53.40%	89.00%
Tier 2 Public Employees Retirement System					
2016	0.0125804%	\$ 1,403	\$ 103,169	1.36%	95.10%
2015	0.0120101%	(26)	77,596	-0.03%	100.20%
2014	0.0100314%	(304)	49,308	-0.60%	103.50%
Tier 2 Public Safety and Firefighters Retirement					
2016	0.1713381%	\$ (1,487)	\$ 141,562	-1.05%	103.60%
2015	0.0687667%	(1,005)	40,915	-2.46%	110.70%
2014	0.0471591%	(698)	19,411	-3.60%	120.50%

**The 10-year schedule will be built prospectively. The schedule above is only for the years listed.*

**WOODS CROSS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS**

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Noncontributory System					
2017	\$ 141,743	\$ 141,743	\$ -	\$ 767,424	18.47%
2016	136,888	136,888	-	741,337	18.47%
2015	130,808	130,808	-	709,442	18.44%
2014	125,375	125,375	-	726,996	17.25%
Contributory System					
2017	\$ 12,231	\$ 12,231	\$ -	\$ 84,583	14.46%
2016	11,380	11,380	-	74,711	15.23%
2015	11,163	11,163	-	77,198	14.46%
2014	10,357	10,357	-	78,259	13.23%
Public Safety System					
2017	\$ 151,587	\$ 151,587	\$ -	\$ 628,269	24.13%
2016	183,011	183,011	-	705,218	25.95%
2015	178,591	178,591	-	676,235	26.41%
2014	177,091	177,091	-	705,218	25.11%
Tier 2 Public Employees System*					
2017	\$ 17,454	\$ 17,454	\$ -	\$ 117,060	14.91%
2016	12,947	12,947	-	86,826	14.91%
2015	9,617	9,617	-	64,368	14.94%
2014	4,720	4,720	-	33,868	13.94%
Tier 2 Public Safety and Firefighter System*					
2017	\$ 40,799	\$ 40,799	\$ -	\$ 200,094	20.39%
2016	15,711	15,711	-	77,778	20.20%
2015	4,699	4,699	-	22,992	20.44%
2014	6,511	6,511	-	31,731	20.52%

**Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.*

Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

WOODS CROSS CITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions

The following assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

SUPPLEMENTAL INFORMATION

**WOODS CROSS CITY
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS
June 30, 2017**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Subsurface Storm Drain	RAP Tax	Park Development	
Assets				
Cash and cash equivalents	\$ 83,097	\$ -	\$ -	\$ 83,097
Restricted assets:				
Cash and cash equivalents	-	269,725	4,851	274,576
Receivables	-	50,011	-	50,011
Total Assets	<u>\$ 83,097</u>	<u>\$ 319,736</u>	<u>\$ 4,851</u>	<u>\$ 407,684</u>
Fund Balances				
Restricted				
Impact fees	\$ -	\$ -	\$ 4,851	\$ 4,851
RAP tax	-	319,736	-	319,736
Assigned	<u>83,097</u>	<u>-</u>	<u>-</u>	<u>83,097</u>
Total Fund Balances	<u>\$ 83,097</u>	<u>\$ 319,736</u>	<u>\$ 4,851</u>	<u>\$ 407,684</u>

WOODS CROSS CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Subsurface Storm Drain	RAP Tax	Park Development	
Revenues				
Taxes	\$ -	\$ 278,712	\$ -	\$ 278,712
Interest	734	1,353	30	2,117
Impact fees	-	-	2,929	2,929
Total Revenues	<u>734</u>	<u>280,065</u>	<u>2,959</u>	<u>283,758</u>
Expenditures				
Parks and recreation	-	21,898	-	21,898
Total Expenditures	<u>-</u>	<u>21,898</u>	<u>-</u>	<u>21,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>734</u>	<u>258,167</u>	<u>2,959</u>	<u>261,860</u>
Net Change in Fund Balances	734	258,167	2,959	261,860
Fund Balance, Beginning	<u>82,363</u>	<u>61,569</u>	<u>1,892</u>	<u>145,824</u>
Fund Balance, Ending	<u>\$ 83,097</u>	<u>\$ 319,736</u>	<u>\$ 4,851</u>	<u>\$ 407,684</u>

**WOODS CROSS CITY
WOODS CROSS, UTAH**

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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
Woods Cross City
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 Woods Cross City (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2017.

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.

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City's Response to Findings

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

Purpose of this Report

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

Keddington & Christensen

Salt Lake City, Utah
December 15, 2017



Keddington & Christensen, LLC
Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE**

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

Report on Compliance

We have audited Woods Cross City's (the City) compliance with the applicable general state 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 for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

Budgetary Compliance	Fund Balance
Justice Courts	URS Compliance
Open and Public Meetings Act	Treasurer Bond
Restricted Taxes	Cash Management

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 that could have a direct and material effect on the City 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. 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 for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures did not disclose any instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*. Our opinion on compliance is not modified with respect to these matters.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements 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 over compliance 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 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 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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen

Salt Lake City, Utah

December 15, 2017

**WOODS CROSS CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2017**

SIGNIFICANT DEFICIENCY

2017-1. Segregation of Duties (Court)

Finding

During the audit we found that in the justice court area, the court administrator has custody of assets (receipting of payments), recording (case dismissal/closing ability), and reconciling responsibilities. This provides the opportunity to see a transaction through the entire accounting process without any supervisory oversight. This weakness in internal controls appears to be the unintended result of consolidating responsibilities.

Recommendation

As much as possible, the City should separate the custody of assets (cash receipting) from the record keeping function (case dismissal/closing ability). If this is not possible then a regular supervisory review (employee with the technical knowledge to create the proper oversight) of all clerk adjustments to court cases (i.e. dismissals, accounts receivable adjustments, credits, and voids) should be implemented. This would ensure accurate and balanced accounts and provide a secondary review of court transactions.

Management's Response

The court administrator will be instructed to have the court clerk be responsible for taking all payments into the court. However, since there will be times when the court clerk is out of the office, and the court administrator will need to take the payments, a regularly supervisory review of all adjustments to court cases will be implemented to provide a secondary review of court transactions.