



**CEDAR CITY, UTAH**

**FINANCIAL STATEMENTS**

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

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## **FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Mayor and  
Members of the City Council  
Cedar City, Utah 84720

### 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 Cedar City, Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Cedar City, Utah, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, in fiscal year 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress – retiree healthcare insurance plan as listed in 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 opinions on the financial statements that collectively comprise Cedar City, Utah's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2015, on our consideration of Cedar 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 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 Cedar City's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
March 28, 2015

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## MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Cedar City's (the City's) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. Please read this discussion and analysis in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The City's total net position at the close of the fiscal year was \$237,939,500. This amount is comprised of \$200,648,555 in net investments in capital assets, \$6,835,424 of restricted net position and \$30,455,521 in unrestricted net position.
- Prior to all transfers in and out of the general fund, general fund revenues exceeded expenditures by \$2,513,822. After all transfers, general fund revenues exceeded expenditures by \$186,448. Transfers to the general fund for capital expenditures totaled \$592,929. Transfers from the general fund for capital projects, debt service and related expenses totaled \$2,920,303.
- The general fund's ending unassigned fund balance of \$4,234,761 represents 25 percent of the total budgeted expenditures and transfers for the fiscal year ending June 30, 2015.
- The City's total long-term debt increased \$143,539. The municipal building authority issued \$1,270,000 lease revenue bonds for the purchase of two fire engines. The city entered into a UDOT SIB loan payable of \$722,000 for the South interchange infrastructure upgrade.
- Total net position for the City's governmental activities decreased \$1,590,324 while total net position for business-type activities increased \$3,223,727.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report includes: 1) this discussion and analysis, which serves as an introduction to the City's basic financial statements; 2) the basic financial statements comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements; and 3) other supplementary information.

**Government-wide financial statements.** The government-wide financial statements include a statement of net position and a statement of activities that provide a citywide perspective of the City's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

- The *statement of net position* presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources represents the City’s net position. Increases or decreases in net position, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.
- The *statement of activities* presents information reflecting 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 irrespective of the timing of the 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 between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 18-19 of this report.

**Fund financial statements.** A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes three types of funds: governmental, proprietary, and fiduciary funds.

- *Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the City’s general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the City’s programs.

Reconciliations between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements are provided on page 20-23 of this report.

The City has identified three of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements on pages 64-71 of this report.

- *Proprietary funds* account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and

short-term financial information. The City uses enterprise funds and an internal service fund, types of proprietary funds, to account for its six business-type activities. Four of the City's enterprise funds qualify as major funds.

- *Fiduciary funds* account for resources held by the City for the benefit of parties outside the City. The City has a fiduciary responsibility to ensure that these resources are used for their intended beneficiaries and purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds cannot be used to finance City programs. The City's fiduciary responsibilities are reported separately in a statement of fiduciary net position and a statement of changes in fiduciary net position. These statements are prepared using full accrual accounting methods similar to those used in preparing proprietary fund statements.

Fund financial statements can be found on pages 18-31 of this report.

**Notes to the financial statements.** The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements. The notes to the financial statements are on pages 32-57 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net position, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. The City's total net position, assets plus deferred outflows of resources in excess of liabilities plus deferred inflows of resources, totaled \$237,939,500.

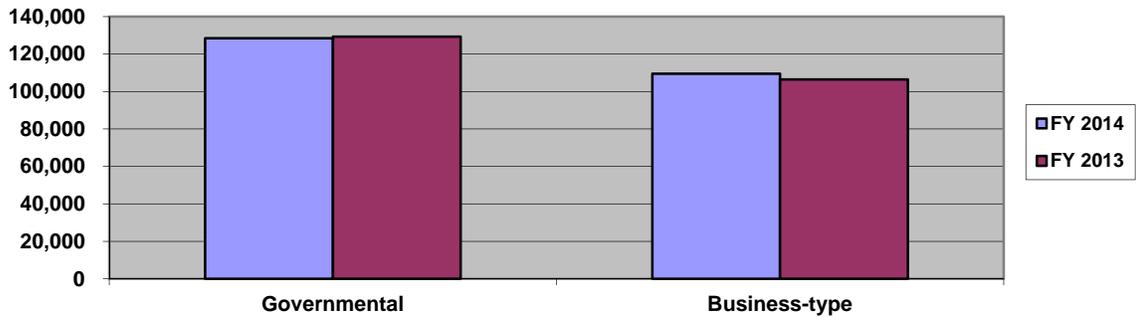
	CEDAR CITY'S NET POSITION			
	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Current and other assets	\$ 21,957,871	\$ 17,149,877	\$ 22,142,315	\$ 24,249,026
Capital assets	130,348,377	132,006,260	95,724,267	91,418,681
Total assets	152,306,248	149,156,137	117,866,582	115,667,707
Deferred outflows of resources	23,086			
Long-term debt outstanding	16,567,780	16,032,824	7,277,796	7,638,431
Other liabilities	2,841,171	3,863,484	1,067,301	1,604,424
Total liabilities	19,408,951	19,896,308	8,345,097	9,242,855
Deferred inflows of resources	4,502,368			
Net position:				
Net investment in capital assets	113,803,683	116,001,164	86,844,872	84,127,622
Restricted	3,936,571	4,194,634	2,898,853	3,313,341
Unrestricted	10,677,761	9,064,031	19,777,760	18,983,889
Total net position	\$128,418,015	\$129,259,829	\$109,521,485	\$106,424,852

CHANGES IN CEDAR CITY'S NET POSITION

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Revenues:				
Program revenues				
Charges for services	\$3,615,349	\$3,523,690	\$ 9,593,604	\$ 7,984,205
Operating grants and contributions	672,981	627,882		
Capital grants and contributions	2,047,299	1,846,959	784,927	813,020
General Revenues				
Property taxes	5,317,403	5,205,871		
Other taxes	8,939,240	8,181,476		
Investment income	75,565	80,528	174,018	201,799
Other revenues	602,444	516,864	9,772	
Gain (loss) on sale/disposal of assets	15,203	48,290	(26,204)	(11,325)
Total revenues	<u>21,285,484</u>	<u>20,031,560</u>	<u>10,536,117</u>	<u>8,987,699</u>
Expenses:				
General government	1,013,319	993,414		
Police protection	4,218,878	4,055,698		
Other public safety and inspection services	2,199,091	2,181,088		
Streets and highways	6,033,790	4,460,258		
Parks, cemetery and public property	1,724,392	1,390,022		
Culture and recreation	3,962,650	3,670,064		
Public works	1,305,473	1,218,188		
Community and economic development	914,683	984,868		
Transportation services	1,072,738	1,008,368		
Interest and fiscal charges	510,994	523,280		
Water			3,565,622	3,279,514
Sewer system			1,079,367	1,076,990
Regional sewer plant			1,652,739	1,652,603
Storm drain			458,249	383,362
Solid waste			476,213	454,558
Total expenses	<u>22,956,008</u>	<u>20,485,248</u>	<u>7,232,190</u>	<u>6,847,027</u>
Increase in net position before transfers	(1,670,524)	(453,688)	3,303,927	2,140,672
Transfers	80,200	0	(80,200)	0
Increase in net position	<u>\$ (1,590,324)</u>	<u>\$ (453,688)</u>	<u>\$3,223,727</u>	<u>\$ 2,140,672</u>

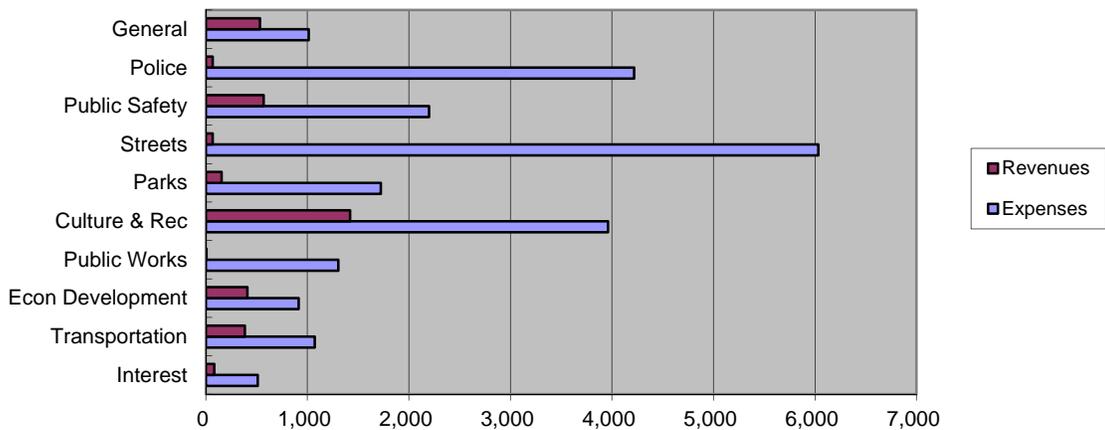
Governmental fund net position, restated, decreased from \$130 million to \$128.4 million during fiscal year 2014, a decrease of .6 percent. Business-type net position increased 3 percent from \$106.3 million in fiscal year 2013 to \$109.5 million in fiscal year 2014. This information is displayed in the graph below.

**CEDAR CITY'S NET POSITION BY FUND TYPE  
FY 2014 & FY 2013 COMPARISON  
(In thousands)**

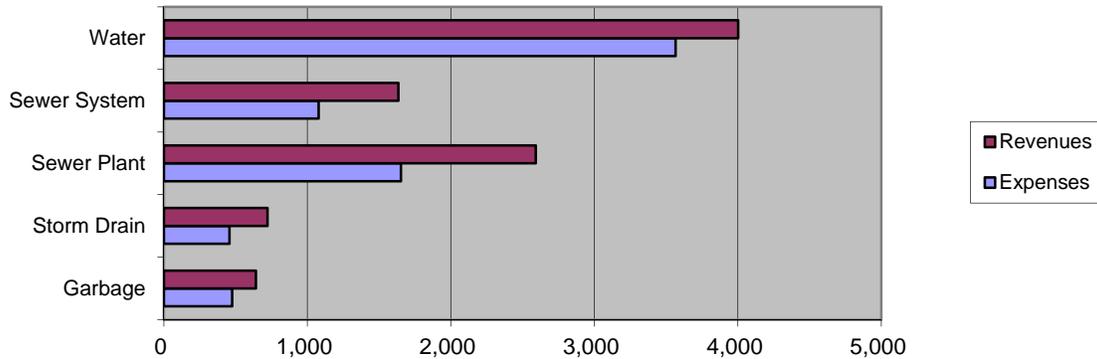


The following charts display program revenues and expenses for governmental activities and business-type activities for fiscal year 2014 as reflected in the statement of activities.

**PROGRAM REVENUES AND EXPENSES  
GOVERNMENTAL ACTIVITIES FOR FY 2014  
(In thousands)**



**PROGRAM REVENUES AND EXPENSES  
BUSINESS-TYPE ACTIVITIES FOR FY 2014  
(In thousands)**



**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

As was previously noted, the City’s governmental funds provide a short-term perspective of the City’s general government operations and the financial resources available in the near future to finance the City’s programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as nonspendable, restricted, committed, assigned or unassigned.

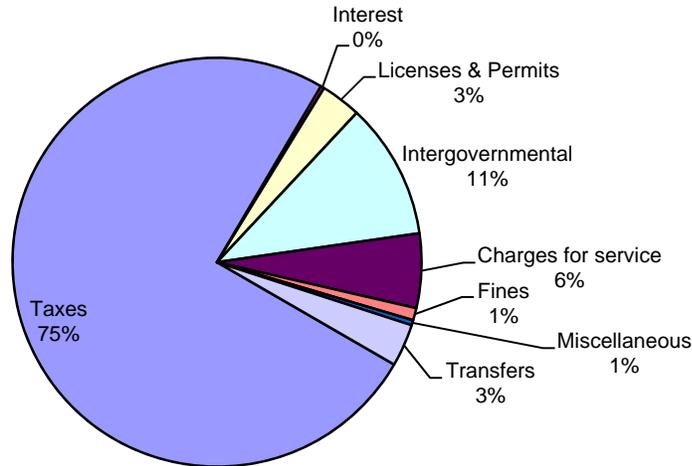
As of June 30, 2014, the City’s governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$15,038,815. This combined balance represents an increase of \$583,376 from last year’s ending combined fund balance.

The general fund is the main operating fund of the City. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations, local ordinances, or the City may simply desire to isolate the revenues and expenditures associated with a particular activity for management purposes.

The general fund fund balance increased \$186,448 to \$5.3 million during the fiscal year ending June 30, 2014. The \$4.23 million unrestricted fund balance represents 25 percent of budgeted expenditures and transfers for the fiscal year ending June 30, 2015. State law requires municipalities maintain a fund balance between 5 and 25 percent of the subsequent year’s budget.

The following charts identify general fund revenue sources and function expenditures for fiscal year 2014.

**REVENUES BY SOURCE  
GENERAL FUND FOR FY 2014**



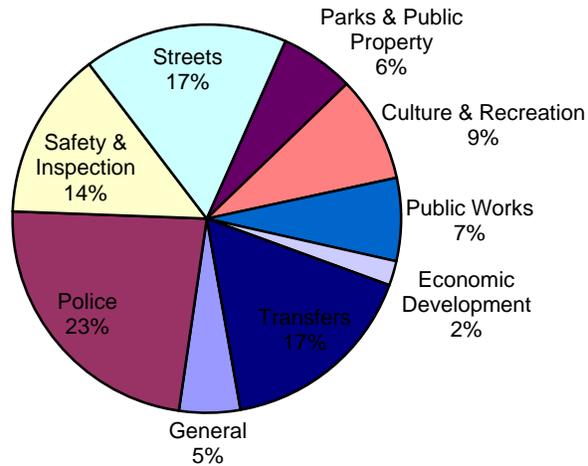
Taxes were the largest source of revenues in the general fund representing approximately 75 percent of total general fund revenues. Property tax revenues accounted for approximately 40 percent of all of the tax revenues generated in the general fund while sales taxes generated about 46 percent of the tax revenues. The remaining tax revenue was generated from franchise and energy taxes.

Intergovernmental revenues comprised of federal, state and local payments and grants accounted for 11 percent of the general fund revenues, the second largest category for fiscal year 2014. Approximately 55 percent of this revenue came from State of Utah road funds. Federal and state grants made up 12 percent of intergovernmental revenues, while payments from Iron County for services provided to the County by the City accounted for an additional 25 percent of intergovernmental revenues.

The third largest category, charges for services, made up 6 percent of general fund revenues. Approximately 50 percent of these revenues were operating reimbursements from enterprise funds to the general fund.

Transfers from the capital improvement fund, licenses and permits, fines and forfeitures, miscellaneous revenues and interest are the remaining categories of revenue within the general fund. When combined, these categories accounted for approximately 8 percent of general fund revenues.

**EXPENDITURES BY FUNCTION  
GENERAL FUND FOR FY 2014**



Police functions accounted for 23 percent of all general fund expenditures. Approximately 95 percent of the police expenditures were operating expenditures.

Streets accounted for 17 percent of all general fund expenditures. Approximately 8 percent of these costs were for capital projects including street and intersections improvements, sidewalk improvements and equipment.

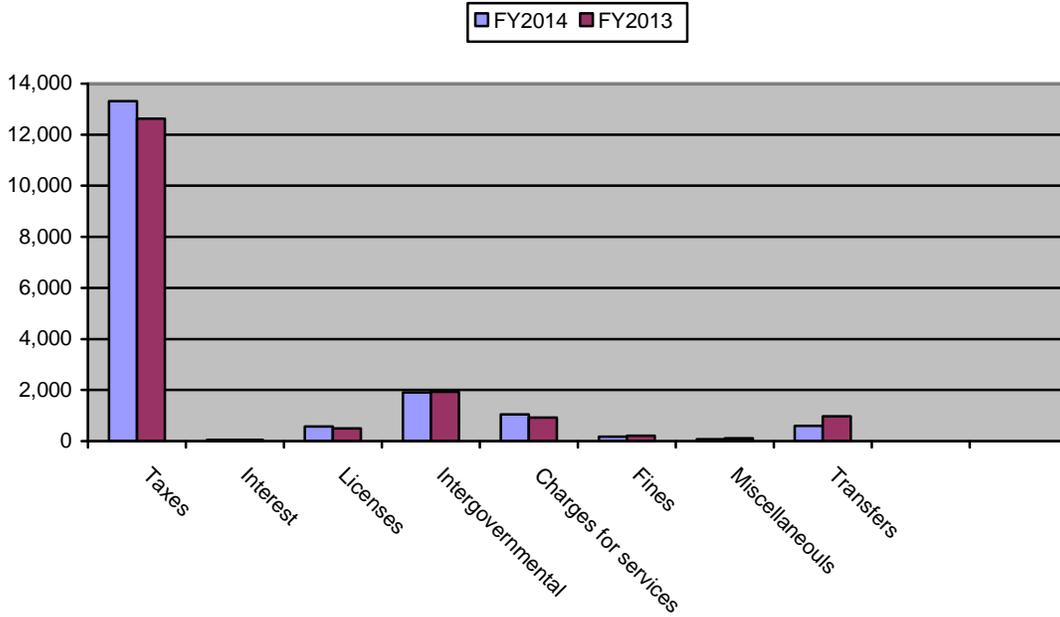
Transfers from the general fund to other funds, the second largest category, accounted for 17 percent of all general fund expenditures. Approximately 55 percent of the transfers were made to meet debt service obligations. An additional 15 percent of total transfers were made to subsidize operating costs for the aquatic center and golf course. The remaining 30 percent of transfers were made to special revenue funds.

Other public safety and inspection services accounted for 14 percent of all general fund expenditures. This category includes fire protection, building and zoning, animal control and justice court functions.

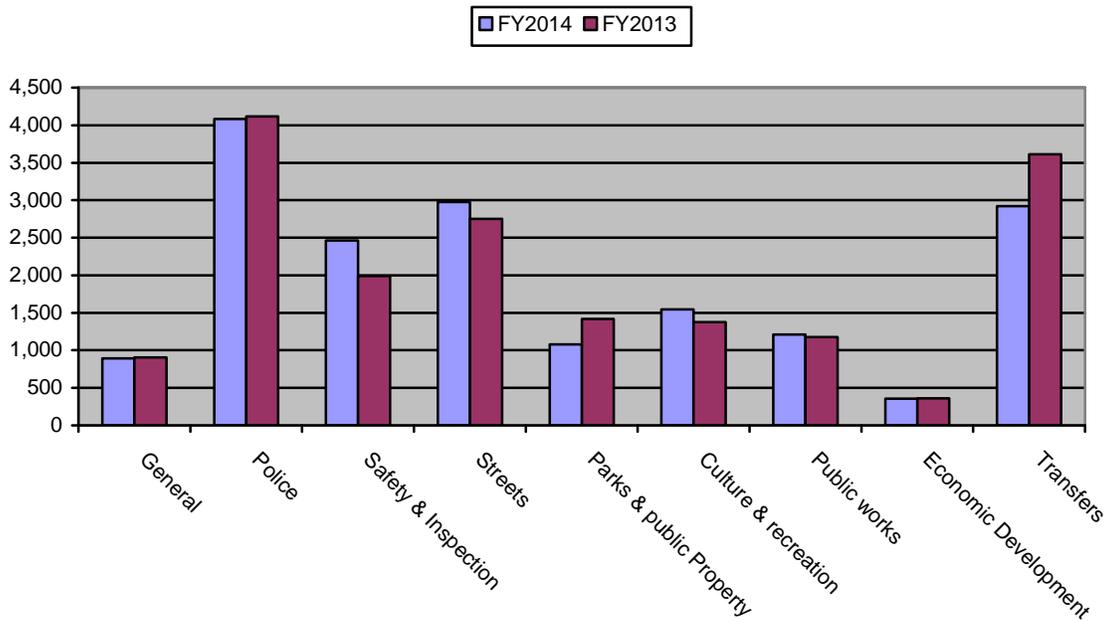
General government, public works, culture and recreation, parks and public property and economic development comprise the remaining categories of expenditures in the general fund. The combined percentage of expenditures in these categories accounted for 29 percent of total general fund expenditures.

The following charts compare fiscal year 2013 and 2014 general fund revenues and expenditures by source and function.

**REVENUES BY SOURCE  
GENERAL FUND COMPARISON FY 2014 & FY 2013  
(In thousands)**



**EXPENDITURES BY FUNCTION  
GENERAL FUND COMPARISON FY 2014 & FY 2013  
(In thousands)**



As was previously noted, the City maintains five enterprise funds and one internal service fund to account for its business-type activities. The separate fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2014 originally adopted budget for the general fund totaled \$17,077,279. The City Council approved two budget revisions during the year. The first revision increased the budget by \$771,513. Two main issues necessitated this revision. First, capital projects budgeted in fiscal year 2013 were not complete by the end of that fiscal year. Thus, approximately \$502,117 of remaining funds were carried over to fiscal year 2014 for completion of the projects. Second, \$269,396 of C-road funded chip seal projects were approved subsequent to adoption of the original budget.

The second revision increased the budget an additional \$1,020,735. A budget transfer of \$500,000 from the general fund to the capital projects fund accounts for much of this increase. Additional grant revenues were secured subsequent to the initial budget revision.

Actual general fund expenditures and transfers for the year ending June 30, 2014, totaled \$17,524,853. This amount is \$447,574 above the originally adopted budget and \$1,278,437 below the final revised budget of \$18,803,290.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2014, the City had invested \$226,072,644, net of accumulated depreciation, in capital assets for its governmental and business-type activities.

	CEDAR CITY'S CAPITAL ASSETS			
	(net of depreciation)			
	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Land and water rights	\$ 48,392,594	\$ 48,392,594	\$12,288,006	\$12,279,959
Buildings	39,848,553	40,775,336	2,018,055	2,101,828
Improvements	35,170,222	37,181,285	68,050,761	70,307,905
Office equipment	90,583	108,873	4,485	6,614
Machinery and equipment	2,022,046	2,168,363	746,069	507,820
Automobiles and trucks	3,931,728	2,377,655	973,575	1,165,347
Construction in progress	892,651	1,002,153	11,643,316	5,049,208
Total	<u>\$130,348,377</u>	<u>\$132,006,259</u>	<u>\$95,724,267</u>	<u>\$91,418,681</u>

Capital assets costing \$100,000 or more that have been added to the City's capital asset list during the current fiscal year include:

- \$185,000 Dump truck funded with C road funds
- \$156,412 Lake at the Hills restroom funded with RAP tax
- \$123,601 Prairie dog barrier funded with a state grant and capital improvement funds
- \$297,639 Quichapa well #5 motor conversion funded with water user fees
- \$591,840 Decorative street lighting funded with RDA lease revenue
- \$1,727,968 Fire apparatus funded with CIB loan

Additional information regarding the City's capital assets can be found in the footnotes to the financial statements.

### Debt Administration

State statute limits the amount of debt a city may issue to 4 percent of the fair market value of the taxable property within the city's jurisdiction, which totaled over \$1.821 billion for tax year 2013. An additional 8 percent of indebtedness may be issued for water, sewer or electricity when such public works are owned and controlled by the city. Cedar City's debt limit based on 2013 fair market values is \$218,522,298 comprised of \$72,840,766 for the 4 percent and \$145,681,532 for the additional 8 percent. In any case, the City's outstanding debt is significantly below the statutory debt limits.

At June 30, 2014, the City had total debt outstanding of \$23,691,000. Of this amount, \$8,480,000 is considered general obligation debt, which is secured by the full faith and credit of the City. The remaining debt of \$15,211,000 is secured by future cash flows from specific revenue sources.

The following is a summary of the City's outstanding debt (excluding bond premiums and discounts):

CEDAR CITY'S OUTSTANDING DEBT				
	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
General obligation bonds	\$ 8,480,000	\$ 8,979,000		
Sales tax revenue bonds	6,020,000	6,800,000		
Special improvement districts:				
Assessment bonds		198,000		
Municipal Building Authority:				
Lease revenue bonds	1,270,000			
Loans payable	722,000			
Revenue bonds			\$7,199,000	\$7,555,000
Capital leases				
Total	\$16,492,000	\$15,977,000	\$7,199,000	\$7,555,000

The municipal building authority issued \$1,270,000 Lease Revenue Bonds, Series 2014 bearing interest of 1.5%. The city entered into a UDOT SIB loan payable of \$722,000 bearing interest of 1.58%.

Additional information on the outstanding debt of the City is located in the footnotes to the financial statements.

### **REQUESTS FOR FINANCIAL INFORMATION**

This financial report is designed to provide users with a general overview of the City's finances and demonstrate accountability for the sources and uses of City funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Finance Director, Cedar City Corporation, 10 North Main, Cedar City, Utah, 84720.

**BASIC FINANCIAL STATEMENTS**

**CEDAR CITY, UTAH**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,931,080	\$ 20,799,841	\$ 34,730,921
Special assessments receivable	767,016	-	767,016
Accounts receivable	-	992,217	992,217
Property tax receivable	4,502,368	-	4,502,368
Other receivables	2,594,596	-	2,594,596
Inventory	122,618	384,715	507,333
Pre-paid expenses	5,735	-	5,735
Internal balances	34,458	(34,458)	-
Capital assets:			
Nondepreciable	49,285,245	23,931,323	73,216,568
Depreciable, net of accumulated depreciation	81,063,132	71,792,944	152,856,076
Net capital assets	<u>130,348,377</u>	<u>95,724,267</u>	<u>226,072,644</u>
Total assets	<u>152,306,248</u>	<u>117,866,582</u>	<u>270,172,830</u>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	23,086	-	23,086
Total deferred outflows of resources	<u>23,086</u>	<u>-</u>	<u>23,086</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,998,882	855,321	2,854,203
Interest payable	47,487	50,504	97,991
Compensated absences payable	679,425	121,519	800,944
Liability for closure and post closure costs	-	39,957	39,957
Net OPEB obligation	115,377	-	115,377
Noncurrent liabilities:			
Due within one year	1,562,278	357,000	1,919,278
Due in more than one year	15,005,502	6,920,796	21,926,298
Total liabilities	<u>19,408,951</u>	<u>8,345,097</u>	<u>27,754,048</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for future year	4,502,368	-	4,502,368
Total deferred inflows of resources	<u>4,502,368</u>	<u>-</u>	<u>4,502,368</u>
<b>Net position</b>			
Net investment in capital assets	113,803,683	88,446,471	202,250,154
Restricted for:			
Capital projects	161,250	-	161,250
Debt service	33,976	-	33,976
Community development	3,474,024	2,898,853	6,372,877
Other purposes	267,321	-	267,321
Unrestricted	10,677,761	18,176,161	28,853,922
Total net position	<u>\$ 128,418,015</u>	<u>\$ 109,521,485</u>	<u>\$ 237,939,500</u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General government	\$ 1,013,319	\$ 533,717	\$ -	\$ -	\$ (479,602)	\$ -	\$ (479,602)
Police protection	4,218,878	68,110	135,695	21,045	(3,994,028)	-	(3,994,028)
Other public safety and inspection services	2,199,091	568,717	150,855	25,354	(1,454,165)	-	(1,454,165)
Streets and highways	6,033,790	67,245	39,493	1,315,976	(4,611,076)	-	(4,611,076)
Parks, cemetery and public property	1,724,392	155,803	625	144,379	(1,423,585)	-	(1,423,585)
Culture and recreation	3,962,650	1,421,300	151,074	129,700	(2,260,576)	-	(2,260,576)
Public works	1,305,473	6,582	-	7,897	(1,290,994)	-	(1,290,994)
Community and economic development	914,683	409,337	16,247	-	(489,099)	-	(489,099)
Transportation services	1,072,738	384,538	94,869	402,948	(190,383)	-	(190,383)
Interest and fiscal charges	510,994	-	84,123	-	(426,871)	-	(426,871)
Total governmental activities	<u>22,956,008</u>	<u>3,615,349</u>	<u>672,981</u>	<u>2,047,299</u>	<u>(16,620,379)</u>	<u>-</u>	<u>(16,620,379)</u>
<b>Business-type activities:</b>							
Water	3,565,622	4,001,579	-	468,652	-	904,609	904,609
Sewer system	1,079,367	1,634,916	-	56,944	-	612,493	612,493
Regional sewer plant	1,652,739	2,591,669	-	135,355	-	1,074,285	1,074,285
Storm drain	458,249	723,246	-	123,976	-	388,973	388,973
Solid waste	476,213	642,194	-	-	-	165,981	165,981
Total business-type activities	<u>7,232,190</u>	<u>9,593,604</u>	<u>-</u>	<u>784,927</u>	<u>-</u>	<u>3,146,341</u>	<u>3,146,341</u>
Total primary government	<u>\$ 30,188,198</u>	<u>\$ 13,208,953</u>	<u>\$ 672,981</u>	<u>\$ 2,832,226</u>			
General revenues:							
Taxes:							
					4,975,421	-	4,975,421
					341,982	-	341,982
					2,050,010	-	2,050,010
					381,697	-	381,697
					6,117,716	-	6,117,716
					389,817	-	389,817
					75,565	174,018	249,583
					567,026	-	567,026
					35,418	9,772	45,190
					15,203	(26,204)	(11,001)
					80,200	(80,200)	-
					<u>15,030,055</u>	<u>77,386</u>	<u>15,107,441</u>
					(1,590,324)	3,223,727	1,633,403
					<u>130,008,339</u>	<u>106,297,758</u>	<u>236,306,097</u>
					<u>\$ 128,418,015</u>	<u>\$ 109,521,485</u>	<u>\$ 237,939,500</u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,511,160	\$ 9,373,672	\$ 13,884,832
Special assessments receivable	-	767,016	767,016
Property tax receivable	4,502,368	-	4,502,368
Other receivables	2,008,605	585,991	2,594,596
Prepaid expenditures	5,735	-	5,735
Due from other funds	336,659	281,986	618,645
Inventory	122,618	-	122,618
Total assets	<u>\$ 11,487,145</u>	<u>\$ 11,008,665</u>	<u>\$ 22,495,810</u>
<b>Liabilities:</b>			
Accounts payable	\$ 601,752	\$ 304,506	\$ 906,258
Payroll taxes payable	104,334	-	104,334
Other payables	983,816	-	983,816
Due to other funds	-	193,203	193,203
Total liabilities	<u>1,689,902</u>	<u>497,709</u>	<u>2,187,611</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for future year	4,502,368	-	4,502,368
Unavailable revenue - special assessments	-	767,016	767,016
Total deferred inflows of resources	<u>4,502,368</u>	<u>767,016</u>	<u>5,269,384</u>
<b>Fund balances:</b>			
Nonspendable:			
Inventory	122,618	-	122,618
Prepaid items	5,735	-	5,735
Restricted for:			
Capital outlay	-	161,250	161,250
Debt service	-	33,976	33,976
Community development	904,668	2,569,356	3,474,024
Other	-	267,321	267,321
Committed	27,093	3,636,232	3,663,325
Assigned	-	3,075,805	3,075,805
Unassigned	4,234,761	-	4,234,761
Total fund balances	<u>5,294,875</u>	<u>9,743,940</u>	<u>15,038,815</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,487,145</u>	<u>\$ 11,008,665</u>	<u>\$ 22,495,810</u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

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

Total fund balances - governmental funds	\$ 15,038,815
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 175,100,416	
Accumulated depreciation	<u>(46,005,529)</u>	129,094,887

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (15,770,000)	
Add: Bond premium	(75,780)	
Less: Deferred charge on refunding	23,086	
Loans payable	(722,000)	
Compensated absences	(679,425)	
Interest payable	(47,487)	
Net OPEB obligation	<u>(115,377)</u>	(17,386,983)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	767,016
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Internal service funds are used by management to charge the costs of public works facilities and services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.

	<u>904,280</u>
	<u><u>\$128,418,015</u></u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 13,309,901	\$ 965,456	\$ 14,275,357
Interest earnings	49,855	45,545	95,400
Licenses and permits	567,026	-	567,026
Intergovernmental revenues	1,907,256	971,966	2,879,222
Charges for services	1,039,585	1,704,788	2,744,373
Fines and forfeitures	173,288	-	173,288
Other revenues	71,461	560,470	631,931
Total revenues	<u>17,118,372</u>	<u>4,248,225</u>	<u>21,366,597</u>
<b>Expenditures:</b>			
Current			
General government	890,362	8,000	898,362
Police protection	4,082,441	51,418	4,133,859
Other public safety and inspection services	2,461,840	5,021	2,466,861
Streets and highways	2,978,345	1,218,996	4,197,341
Parks, cemetery and public property	1,077,600	107,235	1,184,835
Culture and recreation	1,546,357	1,708,775	3,255,132
Public works	1,210,956	18,584	1,229,540
Community and economic development	356,649	396,021	752,670
Transportation services	-	483,193	483,193
Capital outlay	-	2,254,895	2,254,895
Debt service:			
Principal	-	1,477,000	1,477,000
Interest	-	521,733	521,733
Total expenditures	<u>14,604,550</u>	<u>8,250,871</u>	<u>22,855,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,513,822</u>	<u>(4,002,646)</u>	<u>(1,488,824)</u>
<b>Other financing sources (uses):</b>			
Bond proceeds	-	1,270,000	1,270,000
Loan proceeds	-	722,000	722,000
Operating transfers in	592,929	3,592,199	4,185,128
Operating transfers out	<u>(2,920,303)</u>	<u>(1,184,625)</u>	<u>(4,104,928)</u>
Total other financing sources (uses)	<u>(2,327,374)</u>	<u>4,399,574</u>	<u>2,072,200</u>
Net change in fund balance	186,448	396,928	583,376
Fund balances, beginning of year	<u>5,108,427</u>	<u>9,347,012</u>	<u>14,455,439</u>
Fund balances, end of year	<u>\$ 5,294,875</u>	<u>\$ 9,743,940</u>	<u>\$ 15,038,815</u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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

**Net change in fund balances - total governmental funds** \$ 583,376

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 3,149,588	
Depreciation expense	<u>(4,805,415)</u>	(1,655,827)

An internal service fund is used by the City to charge the costs of public works facilities to individual funds. The net revenue of the internal service fund is reported with governmental activities. 29,356

Special assessments do not provide current financial resources in the governmental funds, and are deferred, while they are recognized as revenue in the statement of activities when the underlying project is complete. (64,319)

The entire annual required contribution for other postemployment benefits is reported as an expense in the statement of activities. However, only the actual amount paid is included as an expenditure in governmental funds. 22,726

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of discounts, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due.

Debt proceeds	\$ (1,992,000)	
Principal payments on long-term debt	1,477,000	
Changes in accrued interest payable	7,609	
Amortization of bond premiums and deferred amounts	<u>3,130</u>	(504,261)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the change in compensated absences. (1,375)

**Change in net position of governmental activities** \$ (1,590,324)

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,917,119	\$ 2,191,679	\$ 8,703,098
Receivables, net of allowance	487,912	75,116	267,442
Inventory	379,615	-	-
Due from other funds	247,528	-	1,319,613
Total current assets	<u>7,032,174</u>	<u>2,266,795</u>	<u>10,290,153</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	13,387,931	990,480	6,308,590
Depreciable, net of accumulated depreciation	38,044,404	20,411,107	3,908,556
Net capital assets	<u>51,432,335</u>	<u>21,401,587</u>	<u>10,217,146</u>
Total noncurrent assets	<u>51,432,335</u>	<u>21,401,587</u>	<u>10,217,146</u>
Total assets	<u>58,464,509</u>	<u>23,668,382</u>	<u>20,507,299</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	199,546	7,799	557,163
Interest payable	21,312	-	-
Deposits payable	46,311	-	-
Compensated absences payable	60,769	19,172	34,567
Bonds payable - current	150,000	-	-
Due to other funds	-	1,319,613	-
Total current liabilities	<u>477,938</u>	<u>1,346,584</u>	<u>591,730</u>
Noncurrent liabilities:			
Liability for closure and post closure costs	-	-	-
Bonds payable	3,338,796	-	-
Total noncurrent liabilities	<u>3,338,796</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,816,734</u>	<u>1,346,584</u>	<u>591,730</u>
<b>Net position</b>			
Net investment in capital assets	47,943,539	21,401,587	10,217,146
Restricted for:			
Community development	1,906,625	-	-
Unrestricted	4,797,611	920,211	9,698,423
Total net position	<u>\$ 54,647,775</u>	<u>\$ 22,321,798</u>	<u>\$ 19,915,569</u>

The accompanying notes are an integral part of the financial statements.

<b>Storm Drain Utility</b>	<b>Nonmajor Solid Waste Fund</b>	<b>Total</b>	<b>Public Works Facilities Internal Service Fund</b>
\$ 2,797,807	\$ 1,190,138	\$ 20,799,841	\$ 46,248
67,217	94,530	992,217	-
-	5,100	384,715	-
-	-	1,567,141	-
<u>2,865,024</u>	<u>1,289,768</u>	<u>23,743,914</u>	<u>46,248</u>
3,244,322	-	23,931,323	500
9,040,894	387,983	71,792,944	1,252,990
<u>12,285,216</u>	<u>387,983</u>	<u>95,724,267</u>	<u>1,253,490</u>
<u>12,285,216</u>	<u>387,983</u>	<u>95,724,267</u>	<u>1,253,490</u>
<u>15,150,240</u>	<u>1,677,751</u>	<u>119,468,181</u>	<u>1,299,738</u>
5,328	39,174	809,010	4,474
29,192	-	50,504	-
-	-	46,311	-
1,709	5,302	121,519	-
207,000	-	357,000	-
281,986	-	1,601,599	390,984
<u>525,215</u>	<u>44,476</u>	<u>2,985,943</u>	<u>395,458</u>
-	39,957	39,957	-
<u>3,582,000</u>	<u>-</u>	<u>6,920,796</u>	<u>-</u>
<u>3,582,000</u>	<u>39,957</u>	<u>6,960,753</u>	<u>-</u>
<u>4,107,215</u>	<u>84,433</u>	<u>9,946,696</u>	<u>395,458</u>
8,496,216	387,983	88,446,471	1,253,490
992,228	-	2,898,853	-
1,554,581	1,205,335	18,176,161	(349,210)
<u>\$ 11,043,025</u>	<u>\$ 1,593,318</u>	<u>\$ 109,521,485</u>	<u>\$ 904,280</u>

**CEDAR CITY, UTAH**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
<b>Operating revenues:</b>			
Charges for services	\$ 3,910,807	\$ 1,634,233	\$ 2,588,402
Penalties	85,896	-	-
Other revenues	4,876	683	3,267
Total operating revenues	<u>4,001,579</u>	<u>1,634,916</u>	<u>2,591,669</u>
<b>Operating expenses:</b>			
Salaries	533,486	156,826	313,438
Employees benefits	273,566	97,557	169,464
Administration	159,848	54,617	71,448
Utilities	650,347	33,729	207,097
Professional services	5,835	865	12,595
Repairs and maintenance	403,587	41,403	74,564
Insurance	14,126	8,589	10,894
Miscellaneous	15,767	18,470	9,256
Supplies	341,201	29,235	62,525
Closure and post closure expenses	-	-	-
Depreciation	1,040,999	586,753	721,458
Total operating expenses	<u>3,438,762</u>	<u>1,028,044</u>	<u>1,652,739</u>
Operating income (loss)	562,817	606,872	938,930
<b>Nonoperating revenues (expenses):</b>			
Interest earnings	39,870	9,413	104,590
Gain (loss) on disposal of assets	13,915	-	(253)
Interest and fiscal charges	(126,860)	(51,323)	-
Total nonoperating revenues (expenses)	<u>(73,075)</u>	<u>(41,910)</u>	<u>104,337</u>
Income before contributions and transfers	<u>489,742</u>	<u>564,962</u>	<u>1,043,267</u>
Capital contributions	-	-	-
Impact fees	413,627	56,944	135,355
Water acquisition fee	55,025	-	-
Grant revenue	-	-	-
Transfers out	(48,455)	-	(17,073)
<b>Change in net position</b>	<u>909,939</u>	<u>621,906</u>	<u>1,161,549</u>
<b>Total net position, beginning of year, restated</b>	<u>53,737,836</u>	<u>21,699,892</u>	<u>18,754,020</u>
<b>Total net position, end of year</b>	<u><u>\$54,647,775</u></u>	<u><u>\$22,321,798</u></u>	<u><u>\$19,915,569</u></u>

The accompanying notes are an integral part of the financial statements.

<b>Storm Drain Utility Fund</b>	<b>Nonmajor Solid Waste Fund</b>	<b>Total</b>	<b>Public Works Facilities Internal Service Fund</b>
\$ 720,246	\$ 642,194	\$ 9,495,882	\$ 112,755
-	-	85,896	-
3,000	-	11,826	-
<u>723,246</u>	<u>642,194</u>	<u>9,593,604</u>	<u>112,755</u>
37,915	108,556	1,150,221	1,913
17,612	51,744	609,943	206
73,938	69,997	429,848	-
403	141	891,717	23,362
624	103	20,022	-
48,239	29,244	597,037	5,350
1,062	3,097	37,768	2,590
26,398	22,889	92,780	-
8,847	93,857	535,665	1,442
-	9,375	9,375	-
155,438	87,210	2,591,858	31,742
<u>370,476</u>	<u>476,213</u>	<u>6,966,234</u>	<u>66,605</u>
352,770	165,981	2,627,370	46,150
14,684	5,461	174,018	98
-	(39,866)	(26,204)	-
(87,773)	-	(265,956)	(16,892)
<u>(73,089)</u>	<u>(34,405)</u>	<u>(118,142)</u>	<u>(16,794)</u>
279,681	131,576	2,509,228	29,356
9,772	-	9,772	-
103,282	-	709,208	-
-	-	55,025	-
20,694	-	20,694	-
(13,592)	(1,080)	(80,200)	-
<u>399,837</u>	<u>130,496</u>	<u>3,223,727</u>	<u>29,356</u>
10,643,188	1,462,822	106,297,758	874,924
<u>\$ 11,043,025</u>	<u>\$ 1,593,318</u>	<u>\$ 109,521,485</u>	<u>\$ 904,280</u>

**CEDAR CITY, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 4,003,172	\$ 1,633,961	\$ 2,589,894
Cash payments to suppliers for goods and services	(1,590,613)	(143,853)	149,686
Cash payments to employees for services	(806,125)	(254,607)	(473,664)
Cash payments to other funds for services provided	(159,848)	(54,617)	(71,448)
Net cash flows from operating activities	<u>1,446,586</u>	<u>1,180,884</u>	<u>2,194,468</u>
<b>Cash flows from noncapital financing activities:</b>			
Loans due from other funds	19,824	-	193,479
Loans due to other funds	-	(193,479)	-
Transfers to other funds	(48,455)	-	(17,073)
Net cash flows from noncapital financing activities	<u>(28,631)</u>	<u>(193,479)</u>	<u>176,406</u>
<b>Cash flows from capital and related financing activities:</b>			
Water acquisition and impact fees	468,653	56,944	135,355
Acquisition of capital assets	(708,451)	(11,208)	(5,010,192)
Proceeds from the sale of capital assets	13,915	-	789
Interest paid on capital debt	(132,220)	(51,323)	-
Principal paid on capital debt	(145,000)	-	-
Net cash flows from capital and related activities	<u>(503,103)</u>	<u>(5,587)</u>	<u>(4,874,048)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	39,870	9,413	104,590
Net cash flows from investing activities	<u>39,870</u>	<u>9,413</u>	<u>104,590</u>
Net change in cash and cash equivalents	<u>954,722</u>	<u>991,231</u>	<u>(2,398,584)</u>
<b>Cash and cash equivalents - beginning (including restricted cash)</b>	<u>4,962,397</u>	<u>1,200,448</u>	<u>11,101,682</u>
<b>Cash and cash equivalents - ending (including restricted cash)</b>	<u>\$ 5,917,119</u>	<u>\$ 2,191,679</u>	<u>\$ 8,703,098</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>			
Operating income (loss)	\$ 562,817	\$ 606,872	\$ 938,930
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,040,999	586,753	721,458
(Increase) decrease in accounts receivable	(1,407)	(955)	(1,775)
(Increase) decrease in inventory	(1,022)	-	-
Increase (decrease) in accounts payable	(158,728)	(11,562)	526,617
Increase (decrease) in deposits payable	3,000	-	-
Increase (decrease) in compensated absences payable	927	(224)	9,238
Increase (decrease) in closure and post closure liability	-	-	-
Total adjustments	<u>883,769</u>	<u>574,012</u>	<u>1,255,538</u>
Net cash flows from operating activities	<u>\$ 1,446,586</u>	<u>\$ 1,180,884</u>	<u>\$ 2,194,468</u>

The accompanying notes are an integral part of the financial statements.

<b>Storm Drain Utility Fund</b>	<b>Nonmajor Solid Waste Fund</b>	<b>Total</b>	<b>Public Works Facilities Internal Service Fund</b>
\$ 721,565	\$ 640,668	\$ 9,589,260	\$ 112,755
(965,147)	(164,881)	(2,714,808)	(29,532)
(55,438)	(170,678)	(1,760,512)	(2,119)
(73,938)	(69,997)	(429,848)	-
<u>(372,958)</u>	<u>235,112</u>	<u>4,684,092</u>	<u>81,104</u>
-	-	213,303	-
(22,014)	-	(215,493)	(31,313)
(13,592)	(1,080)	(80,200)	-
<u>(35,606)</u>	<u>(1,080)</u>	<u>(82,390)</u>	<u>(31,313)</u>
133,749	-	794,701	-
(1,248,503)	-	(6,978,354)	(29,687)
-	40,000	54,704	-
(86,352)	-	(269,895)	(16,892)
(211,000)	-	(356,000)	-
<u>(1,412,106)</u>	<u>40,000</u>	<u>(6,754,844)</u>	<u>(46,579)</u>
14,684	5,461	174,018	98
14,684	5,461	174,018	98
<u>(1,805,986)</u>	<u>279,493</u>	<u>(1,979,124)</u>	<u>3,310</u>
4,603,793	910,645	22,778,965	42,938
<u>\$ 2,797,807</u>	<u>\$ 1,190,138</u>	<u>\$ 20,799,841</u>	<u>\$ 46,248</u>
\$ 352,770	\$ 165,981	\$ 2,627,370	\$ 46,150
155,438	87,210	2,591,858	31,742
(1,681)	(1,526)	(7,344)	-
-	11,049	10,027	-
(879,574)	(26,599)	(549,846)	3,212
-	-	3,000	-
89	(10,378)	(348)	-
-	9,375	9,375	-
<u>(725,728)</u>	<u>69,131</u>	<u>2,056,722</u>	<u>34,954</u>
<u>\$ (372,958)</u>	<u>\$ 235,112</u>	<u>\$ 4,684,092</u>	<u>\$ 81,104</u>

**CEDAR CITY, UTAH**  
**Statement of Fiduciary Net Position**  
**Agency Funds**  
**June 30, 2014**

	<u>Agency Funds</u>		<u>Total</u>
	<u>Task Force Trust</u>	<u>Festival City Development Foundation</u>	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 71,725	\$ 14,796	\$ 86,521
Long-term assets:			
Land	-	240,546	240,546
Buildings	-	1,669,485	1,669,485
Machinery and equipment	-	5,248	5,248
Less: Accumulated depreciation	-	(368,158)	(368,158)
Total assets	<u>71,725</u>	<u>1,561,917</u>	<u>1,633,642</u>
<b>Liabilities</b>			
Due to others	-	500	500
Total liabilities	<u>-</u>	<u>500</u>	<u>500</u>
<b>Net position</b>			
Held in trust for others	<u>\$ 71,725</u>	<u>\$ 1,561,417</u>	<u>\$ 1,633,142</u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Statement of Changes in Fiduciary Net Position**  
**Agency Funds**  
**For the Year Ended June 30, 2014**

	<u>Agency Funds</u>		<u>Total</u>
	<u>Task Force Trust Fund</u>	<u>Festival City Development Foundation</u>	
<b>Additions</b>			
Investment earnings:			
Interest	\$ -	\$ -	\$ -
Other revenues	-	65,665	65,665
Total additions	-	65,665	65,665
<b>Deductions</b>			
Depreciation	-	34,363	34,363
Total deductions	-	34,363	34,363
Change in net position	-	31,302	31,302
Net position - beginning	71,725	1,530,115	1,601,840
Net position - ending	<u>\$ 71,725</u>	<u>\$ 1,561,417</u>	<u>\$ 1,633,142</u>

The accompanying notes are an integral part of the financial statements.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

Cedar City, Utah (government) is a municipal corporation governed by an elected mayor and five member governing council (council). 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**Blended Component Units**

The City established a Redevelopment Agency pursuant to the Utah Neighborhood Development act and designated the municipal council and the mayor as the Redevelopment Agency. The Redevelopment Agency is participating in the Port 15 economic development area. The Redevelopment Agency is presented as a special revenue fund of the city.

The City established the Municipal Building Authority of Cedar City, Utah to facilitate construction of public facilities. The mayor and council serve as the governing board of the Authority. The Municipal Building Authority of Cedar City, Utah is presented as a debt service fund of the City.

The accompanying financial statements include all activities of the City.

**Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The **Water Fund** is used to account for the provision of water services to the residents of the City.

The **Sewer Collection Fund and the Regional Sewer Plant Fund** account for the operation and maintenance of the City-owned collection and treatment system for wastewater.

The **Storm Drain Fund** accounts for the operation and maintenance of the City's storm drain system.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued.**

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**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, earned but unreimbursed state and 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Only the portion of special assessments receivable received within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The propriety funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued.**

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**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***Deposits and Investments***

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

***Inventories and Prepaid Items***

Inventories of the governmental and business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

***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 activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Depreciation of all exhaustible fixed assets used is charged as an expense against operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer system improvement	10-75 years
Buildings	20-50 years
Machinery and equipment	5-15 years
Roads and infrastructure	15-20 years
Improvements other than buildings	10-50 years

***Deferred Outflows/Inflows 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 consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes levied for a future year and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities statement of net position reports deferred inflows of resources from property taxes levied for a future year.

***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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***Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The 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.

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 City Manager, Finance Director, and Division/Department Heads are authorized to assign amounts to a specific purpose in accordance with the City's budget policy. 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.

***Minimum Fund Balance***

Utah Code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Taxes*

Iron County assesses all taxable property other than centrally assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due November 30 of each year. After January 15 of the following year, delinquent taxes and penalty bear interest of 6 percent above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year-end.

An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

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

*Compensated Absences*

City employees accumulate one day of sick leave for each month of service. There is no limit on sick leave accrual. Employees with sick leave accrued in excess of 60 days may be paid 25 percent of the unused sick leave accrued during the current calendar year. Employees who were regular full time employees of the city for a minimum of ten years, or fifteen years if hired after August 23, 2006, and who are eligible for retirement, are eligible for continued medical, dental, and vision insurance upon retirement for three years or until they are Medicare eligible, whichever comes first. Employees who are not retired prior to June 30, 2016, are not eligible for retiree health care benefits.

City employees accrue vacation leave in varying amounts depending on the years of service. An employee may carry over into the following calendar year the amount of vacation leave that the employee accrues in one year plus 40 hours. Any accumulated vacation leave in excess of the annual accrual plus 40 hours will be lost at the end of the calendar year.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Vacation and sick leave are charged to operations as they are used. No provision has been made in the financial statements for unused sick leave as the low degree of reliability and the cost of making the evaluating estimates of this liability would be too great.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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 for sales and services. Operating expenses for the 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.

**Use of Estimates**

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 the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**New Pronouncements**

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2014, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 16).

**Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 21.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 23.

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**NOTE 3. Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the city in its governmental funds, therefore, all annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital project funds.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

Before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmation vote of a majority of the City council.

Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budget is done similarly.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 3. Stewardship, Compliance, and Accountability, Continued**

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State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

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**NOTE 4. Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

**Custodial Credit Risk**

For deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2014, \$2,644,683 of the City's bank balance of \$2,982,966 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse 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 & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 4. Deposits and Investments, Continued**

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain 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 based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2014, the City had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
State Treasurer's Investment Pool	\$ 32,120,863	N/A	65.66

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity. Taken from Utah Public Treasurer's Investment Fund Portfolio Statistics as of June 30, 2014.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:				
Land	\$ 48,392,594	\$ -	\$ -	\$ 48,392,594
Construction in progress	1,002,153	561,789	(671,291)	892,651
Total capital assets, not being depreciated	<u>49,394,747</u>	<u>561,789</u>	<u>(671,291)</u>	<u>49,285,245</u>
Capital assets, being depreciated:				
Buildings and improvements	46,678,878	200,121	-	46,878,999
Improvements other than buildings	66,310,665	953,508	-	67,264,173
Office furniture and equipment	526,073	13,444	-	539,517
Machinery and equipment	3,822,394	93,816	-	3,916,210
Automobiles and trucks	6,800,887	2,027,887	(196,794)	8,631,980
Total capital assets, being depreciated	<u>124,138,897</u>	<u>3,288,776</u>	<u>(196,794)</u>	<u>127,230,879</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,903,542)	(1,126,904)	-	(7,030,446)
Improvements other than buildings	(29,129,380)	(2,964,571)	-	(32,093,951)
Office furniture and equipment	(417,200)	(31,734)	-	(448,934)
Machinery and equipment	(1,654,030)	(240,134)	-	(1,894,164)
Automobiles and trucks	(4,423,232)	(473,814)	196,794	(4,700,252)
Total accumulated depreciation	<u>(41,527,384)</u>	<u>(4,837,157)</u>	<u>196,794</u>	<u>(46,167,747)</u>
Total capital assets, being depreciated, net	<u>82,611,513</u>	<u>(1,548,381)</u>	<u>-</u>	<u>81,063,132</u>
Governmental activities capital assets, net	<u>\$ 132,006,260</u>	<u>\$ (986,592)</u>	<u>\$ (671,291)</u>	<u>\$ 130,348,377</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 143,876
Police protection	210,981
Other public safety and inspection services	211,960
Streets and highways	2,044,656
Parks, cemetery, and public property	595,661
Culture and recreation	724,911
Public works	153,658
Community and economic development	161,931
Transportation services	<u>589,523</u>
Total depreciation expense - governmental activities	<u>\$4,837,157</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 5. Capital Assets, Continued**

<b>Business-type Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Capital assets not being depreciated:				
Land and water rights	\$ 12,279,959	\$ 8,047	\$ -	\$ 12,288,006
Construction in progress	5,049,208	6,862,894	(268,785)	11,643,317
Total capital assets, not being depreciated	<u>17,329,167</u>	<u>6,870,941</u>	<u>(268,785)</u>	<u>23,931,323</u>
Capital assets being depreciated:				
Buildings	3,644,132	-	-	3,644,132
Improvements other than buildings	98,989,407	-	-	98,989,407
Office furniture and equipment	32,693	-	-	32,693
Machinery and equipment	1,055,219	354,092	(39,478)	1,369,833
Automobiles and trucks	2,184,900	57,555	(220,063)	2,022,392
Total capital assets, being depreciated	<u>105,906,351</u>	<u>411,647</u>	<u>(259,541)</u>	<u>106,058,457</u>
Less accumulated depreciation for:				
Buildings	(1,542,304)	(83,773)	-	(1,626,077)
Improvements other than buildings	(28,681,502)	(2,257,144)	-	(30,938,646)
Office furniture and equipment	(26,079)	(2,129)	-	(28,208)
Machinery and equipment	(547,399)	(79,351)	2,985	(623,765)
Automobiles and trucks	(1,019,553)	(169,461)	140,197	(1,048,817)
Total accumulated depreciation	<u>(31,816,837)</u>	<u>(2,591,858)</u>	<u>143,182</u>	<u>(34,265,513)</u>
Total capital assets, being depreciated, net	<u>74,089,514</u>	<u>(2,180,211)</u>	<u>(116,359)</u>	<u>71,792,944</u>
Business-type activities capital assets, net	<u>\$ 91,418,681</u>	<u>\$ 4,690,730</u>	<u>\$ (385,144)</u>	<u>\$ 95,724,267</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 6. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2014.

	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2014</b>	<b>Current Portion</b>
<b>Governmental activities:</b>					
<b>General obligation bonds:</b>					
Library bond CIB	\$ 1,636,000	\$ -	\$ 99,000	\$ 1,537,000	\$ 101,000
Aquatic center bond 2009	6,475,000	-	189,000	6,286,000	197,000
Library refunding bond 2012	868,000	-	211,000	657,000	217,000
Total general obligation	<u>8,979,000</u>	<u>-</u>	<u>499,000</u>	<u>8,480,000</u>	<u>515,000</u>
<b>Special assessment bonds:</b>					
02-1 Special assessment bond	198,000	-	198,000	-	-
Total special assessment	<u>198,000</u>	<u>-</u>	<u>198,000</u>	<u>-</u>	<u>-</u>
<b>Revenue bonds:</b>					
Sales tax revenue refunding bond 2011	6,800,000	-	780,000	6,020,000	795,000
Lease revenue bond	-	1,270,000	-	1,270,000	76,000
Bond premium	86,606	-	10,826	75,780	-
Total revenue bonds	<u>6,886,606</u>	<u>1,270,000</u>	<u>790,826</u>	<u>7,365,780</u>	<u>871,000</u>
<b>Loans payable:</b>					
UDOT loan	-	722,000	-	722,000	176,278
Total loans payable	<u>-</u>	<u>722,000</u>	<u>-</u>	<u>722,000</u>	<u>176,278</u>
Governmental activity long-term liabilities	<u>16,063,606</u>	<u>1,992,000</u>	<u>1,487,826</u>	<u>16,567,780</u>	<u>1,562,278</u>
<b>Business-type activities:</b>					
<b>Revenue bonds:</b>					
Storm drain revenue bond 2013	4,000,000	-	211,000	3,789,000	207,000
Water revenue bond 2011	3,555,000	-	145,000	3,410,000	150,000
Bond premium	83,431	-	4,635	78,796	-
Total revenue bonds	<u>7,638,431</u>	<u>-</u>	<u>360,635</u>	<u>7,277,796</u>	<u>357,000</u>
Business-type activity long-term liabilities	<u>7,638,431</u>	<u>-</u>	<u>360,635</u>	<u>7,277,796</u>	<u>357,000</u>
Total long-term liabilities	<u>\$ 23,702,037</u>	<u>\$ 1,992,000</u>	<u>\$ 1,848,461</u>	<u>\$ 23,845,576</u>	<u>\$ 1,919,278</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 6. Long-Term Debt, Continued**

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Bonds payable at June 30, 2014 is comprised of the following issues:

**General obligation bonds:**

**Governmental activities:**

Library General Obligation Bonds - Series 2002A issued for \$2,500,000 payable in installments of \$77,000 to \$136,000 bearing interest of 2.5%	\$ 1,537,000
Aquatic Center General Obligation Bonds - Series 2009 issued for \$7,000,000 payable in installments of \$168,000 to \$430,000 bearing interest of 4.0%	6,286,000
Library General Obligation Refunding Bonds - Series 2012 issued for \$1,080,000 payable in installments of \$212,000 to \$223,000 bearing interest of 0.8% to 1.3%	<u>657,000</u>
Total general obligation bonds	<u>8,480,000</u>

**Revenue bonds:**

**Governmental activities:**

Sales Tax Revenue Refunding Bonds - Series 2011 issued for \$8,260,000 payable in installments of \$695,000 to \$935,000 bearing interest of 2.0% to 3.5%	6,020,000
Lease Revenue Bonds - Series 2014 issued for \$1,270,000 payable in installments of \$76,000 to \$95,000 bearing interest of 1.5%	1,270,000

**Business-type activities:**

Water Revenue Bonds - Series 2011 issued for \$3,860,000 payable in installments of \$145,000 to \$265,000, bearing interest of 2.50% to 4.30%	3,410,000
Storm Drain Revenue Bonds - Series 2013 issued for \$4,000,000 payable in installments of \$241,000 to \$312,000, bearing interest of 0.80% to 3.20%	<u>3,789,000</u>
Total revenue bonds	<u>14,489,000</u>

**Loans payable:**

**Governmental activities:**

UDOT SIB loan payable in installments of \$176,278 to \$184,766 bearing interest of 1.58%	<u>722,000</u>
Total loans payable	<u>722,000</u>

Total long-term debt 23,691,000

Plus: Bond premium

Governmental activities	75,780
Business-type activities	78,796

Less: Current portion:

Governmental activities	(1,562,278)
Business-type activities	<u>(357,000)</u>

**Net long-term debt** \$ 21,926,298

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 6. Long-Term Debt, Continued**

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The City's total debt service maturities at June 30, 2014 are as follows:

Year Ended June 30,	Business-type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 357,000	\$ 215,445	\$ 572,445	\$ 1,562,278	\$ 503,418	\$ 2,065,696
2016	364,000	209,082	573,082	1,597,063	466,934	2,063,997
2017	371,000	202,237	573,237	1,637,893	429,170	2,067,063
2018	379,000	194,505	573,505	1,449,766	390,157	1,839,923
2019	387,000	186,254	573,254	1,303,000	348,823	1,651,823
2020-2024	2,095,000	773,477	2,868,477	4,163,000	1,188,644	5,351,644
2025-2029	2,441,000	426,889	2,867,889	2,432,000	704,460	3,136,460
2030-2034	805,000	43,152	848,152	1,917,000	322,040	2,239,040
2034-2035	-	-	-	430,000	17,200	447,200
Total	<u>\$ 7,199,000</u>	<u>\$ 2,251,041</u>	<u>\$ 9,450,041</u>	<u>\$ 16,492,000</u>	<u>\$ 4,370,846</u>	<u>\$ 20,862,846</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The special assessment debt with government commitment listed above is payable from the special assessments levied against and secured by a lien upon the lots, tracts and parcels of land within the district. In the event that the assessments are insufficient to pay the bonds and interest thereon as they become due, the deficiency shall be paid out of the SID Guarantee fund until depleted and then the general fund of the City. If the general fund does not have sufficient revenues to pay the debt service, the City council is required to levy a tax sufficient to provide payment of the debt.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7. Interfund Transactions and Balances**

Individual fund receivable and payable balances at June 30, 2014 were:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 336,659	\$ -
Nonmajor Governmental Funds	281,986	193,203
Public Works Facilities Internal Service Fund	-	390,984
Water Fund	247,528	-
Sewer Collection System Fund	-	1,319,613
Sewer Plant Fund	1,319,613	-
Storm Drain Utility Fund	-	281,986
<b>Total</b>	<b>\$ 2,185,786</b>	<b>\$ 2,185,786</b>

Loans outstanding from the general fund, capital improvements fund, water fund, and regional sewer fund in the amount of \$1,992,583 to the storm drain fund, public works facilities internal service fund, the sewer collection system fund, and other nonmajor governmental and proprietary funds are for the acquisition and construction of capital assets. Payments of principal and interest are made annually on the loans.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2014 consisted of the following:

	Transfers out:						Total Transfers in
	General Fund	Nonmajor Governmental Funds	Water Fund	Regional Sewer Plant Fund	Storm Drain Utility Fund	Nonmajor Solid Waste Fund	
<b>Transfer in:</b>							
General Fund	\$ -	\$ 512,729	\$ 48,455	\$ 17,073	\$ 13,592	\$ 1,080	\$ 592,929
Nonmajor Governmental Funds	2,920,303	671,896	-	-	-	-	3,592,199
<b>Total transfers out</b>	<b>\$ 2,920,303</b>	<b>\$ 1,184,625</b>	<b>\$ 48,455</b>	<b>\$ 17,073</b>	<b>\$ 13,592</b>	<b>\$ 1,080</b>	<b>\$4,185,128</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 8. Equity Classifications**

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

- a. 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.
- b. Restricted net position – consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

**Nonspendable fund balance** cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

**Restricted fund balance** is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Committed fund balance** can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the City Council. A resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

**Assigned fund balance** is constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Manager, Finance Director, and Division/Department Heads are authorized to assign amounts to a specific purpose in accordance with the City’s budget policy.

**Unassigned fund balance** is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. 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.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Equity Classifications, Continued**

The components of fund equity are as follows:

**Governmental Activities**

**General fund:**

Nonspendable	
Inventory	\$ 122,618
Prepays	5,735
Total nonspendable	<u>\$ 128,353</u>
Restricted for:	
Community development	
Class C roads	\$ 841,381
State liquor funds	52,946
Perry legacy donation	10,341
Total restricted	<u>\$ 904,668</u>
Committed to:	
Traffic school	\$ 27,093
Total committed	<u>\$ 27,093</u>

**Other Governmental funds:**

Restricted for:	
Capital projects	
Capital improvement	\$ 161,250
Debt service	
SID guarantee	109
Special Improve 2002-1	502
Special Improve 97-1	5,889
Special Improve 98-1	1,142
Municipal Building Authority	26,334
Community development	
Transportation impact fees	1,004,610
Parks impact fees	434,828
Public safety impact fees	103,492
RAP tax	979,088
TRT tax	47,338
Other	
Parking authority	55,238
Task force	212,083
Total restricted	<u>\$ 3,031,903</u>
Committed to:	
Aquatic center	\$ 29,218
Airport	341,862
Golf course	38,807
RDA	3,226,345
Total committed	<u>\$ 3,636,232</u>
Assigned to:	
Debt service	\$ 22,791
Capital Improvements	3,053,014
Total assigned	<u>\$ 3,075,805</u>

**Business-type Activities**

**Water fund:**

Restricted for:	
Community development	\$ 1,906,625
Total restricted	<u>\$ 1,906,625</u>

**Storm Drain:**

Restricted for:	
Community development	\$ 992,228
Total restricted	<u>\$ 992,228</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 9. Defined Benefit Pension Plan**

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All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

**Plan Description**

Cedar City contributes to the Local Governmental Contributory and Noncontributory Retirement Systems, the Public Safety Contributory and Noncontributory Retirement Systems and the Firefighter's Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy**

In the Local Governmental Contributory and Noncontributory Retirement Systems, Cedar City is required to contribute 13.99 percent and 17.29 percent of their annual covered salary respectively. In the Public Safety Contributory and Noncontributory Retirement Systems, Cedar City was required to contribute 22.37 percent and 34.17percent of their annual covered salary respectively. In the Firefighter's System, the City contributes 18.01 percent. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 9. Defined Benefit Pension Plan, Continued**

The required contributions and amounts received for the 2014 fiscal year and the two previous years are as follows:

	Year Ended 6/30	Employee paid contributions	Employer paid for employee contributions	Employer contributions	Salary subject to retirement contributions
<b>Contributory System:</b>					
Local Governmental Division					
2014	\$	-	\$ -	\$ 28,986	\$ 341,007
2013		-	-	22,826	266,657
2012		-	-	3,846	50,672
<b>Noncontributory System:</b>					
Local Governmental Division					
2014	\$	-	\$ -	\$ 674,837	\$ 3,819,477
2013		-	-	655,208	4,069,362
2012		-	-	585,542	4,355,050
<b>Public Safety System:</b>					
Other Division A Contributory					
2014	\$	-	\$ 8,311	\$ 15,385	\$ 67,626
2013		-	8,511	15,471	69,251
2012		-	8,520	12,715	69,327
Other Division A Contributory					
2014	\$	-	\$ -	\$ 4,030	\$ 36,572
2013		-	-	2,831	25,504
Other Division A Noncontributory					
2014	\$	-	\$ -	\$ 474,388	\$ 1,467,317
2013		-	-	474,174	1,494,654
2012		-	-	406,632	1,504,675
<b>Firefighters System:</b>					
Division A					
2014	\$	-	\$ 71,635	\$ 14,089	\$ 475,978
2013		-	72,819	12,871	483,846
2012		-	72,123	2,396	479,220
<b>Defined Contribution System:</b>					
401(k) Plan					
2014	\$	122,251	\$ 48,925		
2013		115,819	33,953		
2012		147,090	28,859		
Traditional IRA Plan					
2014	\$	275	\$ -		
Roth IRA Plan					
2014	\$	14,635	\$ -		
2013		12,298	-		
2012		7,085	-		

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 10. Other Post-employment Benefits**

Effective July 1, 2008, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*.

**Plan Description**

The City provides postemployment health care benefits, through a single employer defined benefit plan, to all employees who retire from the City and qualify to retire from any of the Utah State Retirement Systems. The benefits, benefit levels, employee contributions and employer contributions are governed by City policy, and can be amended at any time. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

**Funding Policy**

The City currently pays for postemployment benefits other than pensions on a “pay-as-you-go” basis.

**Annual OPEB and Net OPEB Obligation**

The City’s annual OPEB cost (expense) is calculated based on the employer’s annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years. For the fiscal year ended June 30, 2014, the City’s OPEB cost (expense) of \$38,291 was \$9,174 less than the ARC. The following table shows the components of the City’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$	47,465
Interest on net OPEB obligation		6,215
Adjustments to annual required contribution		(15,389)
Annual OPEB cost (expense)		38,291
Contributions made		(61,017)
Decrease in net OPEB obligation		(22,726)
Net OPEB obligations - beginning of year		138,103
Net OPEB obligations - end of year	\$	115,377

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Fiscal Year Ended
June 30, 2014	\$ 38,291	61,017	159.4%	\$ 115,377

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Other Post-employment Benefits, Continued**

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**Funded Status and Funding Progress**

The funded status of the City's plan as of June 30, 2014 is as follows:

Actuarial valuation date		July 1, 2011
Actuarial accrued liability (AAL)	\$	321,469
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	321,469
Funded ratio (actuarial value of plan assets / AAL)		0.0%
Covered payroll (active plan members)	\$	5,715,668
UAAL as a percentage of covered payroll		5.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, presents the results of OPEB valuations as of June 30, 2014 and looking forward. The schedule provides multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and the plan members) and include the types of benefits at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the fiscal year 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 11 years. Covered payroll included a 3.0 percent inflation assumption. The actuarial value of assets was not determined as the City has not advanced its obligation. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over thirty years based on an open group.

The City also provides health, dental, and employee assistance benefits to terminated employees under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA). Substantially all employees are eligible for these benefits upon termination of employment with the City. Depending upon the qualifying event, former employees are eligible for either 18 or 36 months of benefits under this act. The premiums for this coverage plus a 2 percent administrative charge are paid 100 percent by the former employee.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 11. 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; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or citywide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through Utah Risk Management Mutual Association (URMMA). As of June 30, 2014, the City had \$90,000 in outstanding recaptured losses that will be paid with premiums due in future years. Worker's compensation coverage is carried through the State Worker's Compensation Fund.

**NOTE 12. Individual Fund Disclosures**

**Segment Information**

For information on the enterprise funds, see the proprietary funds' financial statements in the fund financial statements and the combining financial statements in the supplementary section.

**NOTE 13. Redevelopment Agency**

In accordance with Section 17A-2-1219, Utah Code Annotated, all municipalities having established Redevelopment Agencies are required to disclose the following revenues and expenditures associated with the various project areas:

	<b>Cedar</b>		
	<b><u>Downtown</u></b>	<b><u>Port 15</u></b>	<b><u>GENPAK</u></b>
Tax increment collected	\$ -	\$ 214,135	\$ 127,846
Interest income	\$ 13,570	\$ -	\$ -
Miscellaneous revenues	\$ 332,909	\$ -	\$ -
Balance of debt	None	None	None
Funds expended:			
Site improvements and maintenance	\$ 134,102	\$ 88,823	\$ -
Administrative costs	\$ 11,481	\$ 90,579	\$ -
Net transfers in (out)	\$ 8,600	\$ -	\$ -

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 14.     Litigation**

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The City is presently involved in several matters of litigation. The City is also in the process of negotiating settlements on some claims or resolving the matters by other means. The outcome of these cases is uncertain.

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**NOTE 15.     Landfill Closure and Post-Closure Care Costs**

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Cedar City has estimated closure and post-closure care costs for the City landfill to be \$52,505. The nature and source of these costs as estimated by Cedar City are described below as well as other pertinent information concerning the landfill.

As of the date of this report, the City had not been notified of any corrective actions that need to be taken towards the landfill.

The City has placed funds in a restricted account with the Public Treasurer's Investment pool sufficient to provide for the estimated closure and post-closure costs.

	<u>Bulloch Pit</u>
Closure costs:	
Cover material	<u>\$ 50,005</u>
Total closure costs	<u>50,005</u>
Post-closure costs:	
Vegetative cover	<u>2,500</u>
Total post-closure costs	<u>2,500</u>
Total costs	<u><u>\$ 52,505</u></u>

To date, Cedar City had not incurred any closure or post-closure care costs but has recorded a liability of \$39,957 towards these costs.

Estimated landfill capacity used to date based on the city engineers estimates are as follows:

Bulloch Pit     76.10 percent

The City estimates the useful life of the landfill as follows:

Bulloch Pit     4.2 years

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 16.      Reclassifications and Restatements**

As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Governmental Activities, Water Fund, and Storm Drain Fund. In addition, beginning net position has been restated to reflect the effects of correcting accounts and activities as follows:

	Government-wide			
	Governmental Activities	Business-type Activities	Water	Storm Drain
Net position, as originally stated - July 1, 2013	\$ 129,259,829	\$ 106,424,852	\$ 53,833,130	\$ 10,674,988
Restate bond issuance costs as expense when incurred per GASB Statements No. 63 and 65	(82,825)	(127,094)	(95,294)	(31,800)
Reclassify unearned revenues from special assessments to net position	831,335	-	-	-
Net position, as restated - July 1, 2013	\$ 130,008,339	\$ 106,297,758	\$ 53,737,836	\$ 10,643,188

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CEDAR CITY, UTAH**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 12,584,500	\$ 12,584,500	\$ 13,309,901	\$ 725,401
Interest earnings	50,687	50,687	49,855	(832)
Licenses and permits	438,000	438,165	567,026	128,861
Intergovernmental revenues	1,786,555	1,956,106	1,907,256	(48,850)
Charges for services	943,697	1,022,508	1,039,585	17,077
Fines and forfeitures	183,500	183,500	173,288	(10,212)
Other revenues	22,705	47,892	71,461	23,569
Total revenues	<u>16,009,644</u>	<u>16,283,358</u>	<u>17,118,372</u>	<u>835,014</u>
<b>Expenditures:</b>				
General government				
Administration	971,117	971,117	890,362	80,755
Police protection				
Police	4,164,602	4,261,341	4,082,441	178,900
Other public safety and inspection services				
Fire department	1,755,238	1,878,498	1,661,678	216,820
Protective inspection	182,440	182,605	176,454	6,151
Animal control	182,011	188,104	173,631	14,473
Justice court	472,124	472,124	450,077	22,047
Streets and highways				
Streets and highways	2,703,464	3,025,812	2,978,345	47,467
Parks, cemetery and public property				
City building	122,082	122,082	102,949	19,133
Parks and cemetery	977,066	1,344,839	974,651	370,188
Culture and recreation				
Recreation	383,993	388,993	369,673	19,320
Library	580,419	600,058	569,316	30,742
Cross Hollows events center	162,143	173,062	153,928	19,134
Heritage center	393,035	471,274	453,440	17,834
Public works				
City engineer	595,222	595,222	561,686	33,536
Public works administration	227,915	227,915	216,938	10,977
Fleet and warehouse	431,688	437,623	432,332	5,291
Community and economic development				
Community promotions	97,804	97,804	65,432	32,372
Economic development	261,061	329,043	291,217	37,826
Total expenditures	<u>14,663,424</u>	<u>15,767,516</u>	<u>14,604,550</u>	<u>1,162,966</u>
Excess of revenues over (under) expenditures	<u>1,346,220</u>	<u>515,842</u>	<u>2,513,822</u>	<u>(1,997,980)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	987,481	1,517,223	592,929	(924,294)
Operating transfers out	(2,413,854)	(3,258,784)	(2,920,303)	338,481
Total other financing sources (uses)	<u>(1,426,373)</u>	<u>(1,741,561)</u>	<u>(2,327,374)</u>	<u>(585,813)</u>
Net change in fund balance	(80,153)	(1,225,719)	186,448	1,412,167
Fund balance, beginning of year	<u>5,108,427</u>	<u>5,108,427</u>	<u>5,108,427</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,028,274</u>	<u>\$ 3,882,708</u>	<u>\$ 5,294,875</u>	<u>\$ 1,412,167</u>

**CEDAR CITY, UTAH**  
**Schedule of Funding Progress**  
**Retiree Healthcare Insurance Plan**  
**Year Ended June 30, 2014**

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Actuarial Valuation Date	Actuarial value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Actuarial Liability UAAL (a - b)	Funded Ratio (a / b)	Annualized Covered Payroll	UAAL as a percent of covered payroll
July 1, 2008	\$ -	\$ 1,191,328	\$ 1,191,328	0.0%	\$ 6,119,817	19.5%
July 1, 2009	\$ -	\$ 327,517	\$ 327,517	0.0%	\$ 6,303,411	5.2%
July 1, 2011	\$ -	\$ 321,469	\$ 321,469	0.0%	\$ 5,715,668	5.6%

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## **COMBINING STATEMENTS**

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2014**

	<b>Special Revenue Funds</b>					
	<b>Airport</b>	<b>Downtown Parking</b>	<b>Transportation Impact Fees</b>	<b>Parks/Recreation Impact Fees</b>	<b>Public Safety Impact Fees</b>	<b>Aquatic Center</b>
<b>Assets:</b>						
Cash and cash equivalents	\$ 317,205	\$ 56,821	\$ 1,004,610	\$ 440,320	\$ 108,513	\$ 83,569
Special assessments receivable	-	-	-	-	-	-
Other receivables	41,466	-	-	-	-	15,135
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 358,671</b>	<b>\$ 56,821</b>	<b>\$ 1,004,610</b>	<b>\$ 440,320</b>	<b>\$ 108,513</b>	<b>\$ 98,704</b>
<b>Liabilities:</b>						
Accounts payable	\$ 16,809	\$ 1,583	\$ -	\$ 5,492	\$ 5,021	\$ 69,486
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>16,809</b>	<b>1,583</b>	<b>-</b>	<b>5,492</b>	<b>5,021</b>	<b>69,486</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - special assessments	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>						
Restricted for:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Community development	-	-	1,004,610	434,828	103,492	-
Other	-	55,238	-	-	-	-
Committed	341,862	-	-	-	-	29,218
Assigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>341,862</b>	<b>55,238</b>	<b>1,004,610</b>	<b>434,828</b>	<b>103,492</b>	<b>29,218</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 358,671</b>	<b>\$ 56,821</b>	<b>\$ 1,004,610</b>	<b>\$ 440,320</b>	<b>\$ 108,513</b>	<b>\$ 98,704</b>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds (Continued)**  
**June 30, 2014**

	<b>Special Revenue Funds, Continued</b>					
	<b>Task Force</b>	<b>Cedar Area Transit</b>	<b>Redevelopment Agency</b>	<b>RAP Sales Tax Fund</b>	<b>TRT Sales Tax Fund</b>	<b>Golf Course Fund</b>
<b>Assets:</b>						
Cash and cash equivalents	\$ 198,970	\$ -	\$ 3,154,562	\$ 890,909	\$ 44,507	\$ 192,728
Special assessments receivable	-	-	-	-	-	-
Other receivables	14,184	35,796	80,029	88,179	42,831	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 213,154</u>	<u>\$ 35,796</u>	<u>\$ 3,234,591</u>	<u>\$ 979,088</u>	<u>\$ 87,338</u>	<u>\$ 192,728</u>
<b>Liabilities:</b>						
Accounts payable	\$ 1,071	\$ 2,877	\$ 8,246	\$ -	\$ 40,000	\$ 153,921
Due to other funds	-	32,919	-	-	-	-
Total liabilities	<u>1,071</u>	<u>35,796</u>	<u>8,246</u>	<u>-</u>	<u>40,000</u>	<u>153,921</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - special assessments	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>						
Restricted for:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Community development	-	-	-	979,088	47,338	-
Other	212,083	-	-	-	-	-
Committed	-	-	3,226,345	-	-	38,807
Assigned	-	-	-	-	-	-
Total fund balances	<u>212,083</u>	<u>-</u>	<u>3,226,345</u>	<u>979,088</u>	<u>47,338</u>	<u>38,807</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 213,154</u>	<u>\$ 35,796</u>	<u>\$ 3,234,591</u>	<u>\$ 979,088</u>	<u>\$ 87,338</u>	<u>\$ 192,728</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds (Continued)**  
**June 30, 2014**

	<b>Debt Service Funds</b>							
	<b>Bond Sinking Fund</b>	<b>Municipal Building Authority</b>	<b>Special Improve #93-1</b>	<b>Special Improve #95-2</b>	<b>Special Improve #97-1</b>	<b>Special Improve #98-1</b>	<b>Special Improve #2002-1</b>	<b>Special Improve Guarantee</b>
<b>Assets:</b>								
Cash and cash equivalents	\$ -	\$ 26,334	\$ -	\$ -	\$ 5,889	\$ 1,142	\$ 502	\$ 109
Special assessments receivable	-	-	251,399	4,085	44,964	112,885	353,683	-
Other receivables	84,123	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	<u>\$ 84,123</u>	<u>\$ 26,334</u>	<u>\$ 251,399</u>	<u>\$ 4,085</u>	<u>\$ 50,853</u>	<u>\$ 114,027</u>	<u>\$ 354,185</u>	<u>\$ 109</u>
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	61,332	-	-	-	-	-	-	-
Total liabilities	<u>61,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources:</b>								
Unavailable revenue - special assessments	-	-	251,399	4,085	44,964	112,885	353,683	-
Total liabilities	<u>-</u>	<u>-</u>	<u>251,399</u>	<u>4,085</u>	<u>44,964</u>	<u>112,885</u>	<u>353,683</u>	<u>-</u>
<b>Fund balances:</b>								
Restricted for:								
Capital projects	-	-	-	-	-	-	-	-
Debt service	-	26,334	-	-	5,889	1,142	502	109
Community development	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	22,791	-	-	-	-	-	-	-
Total fund balances	<u>22,791</u>	<u>26,334</u>	<u>-</u>	<u>-</u>	<u>5,889</u>	<u>1,142</u>	<u>502</u>	<u>109</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,123</u>	<u>\$ 26,334</u>	<u>\$ 251,399</u>	<u>\$ 4,085</u>	<u>\$ 50,853</u>	<u>\$ 114,027</u>	<u>\$ 354,185</u>	<u>\$ 109</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds (Continued)**  
**June 30, 2014**

	<b>Capital Projects Funds</b>								<b>Total Nonmajor Governmental Funds</b>
	<b>Coal Creek Flood Control Capital Project Fund</b>	<b>Cove Drive Capital Project Fund</b>	<b>Airport Construction Capital Project Fund</b>	<b>Capital Improvement</b>	<b>Ball Diamond Complex</b>	<b>Aquatic Center Capital Project Fund</b>	<b>Aviation Way Capital Project Fund</b>	<b>South Interchange Capital Project Fund</b>	
<b>Assets:</b>									
Cash and cash equivalents	\$ 360,656	\$ 13,935	\$ -	\$ 2,460,613	\$ 5,802	\$ 5,976	\$ -	\$ -	\$ 9,373,672
Special assessments receivable	-	-	-	-	-	-	-	-	767,016
Other receivables	-	-	183,030	-	-	-	1,218	-	585,991
Due from other funds	-	-	-	281,986	-	-	-	-	281,986
Total assets	<u>\$ 360,656</u>	<u>\$ 13,935</u>	<u>\$ 183,030</u>	<u>\$ 2,742,599</u>	<u>\$ 5,802</u>	<u>\$ 5,976</u>	<u>\$ 1,218</u>	<u>\$ -</u>	<u>\$ 11,008,665</u>
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,506
Due to other funds	-	-	97,734	-	-	-	1,218	-	193,203
Total liabilities	<u>-</u>	<u>-</u>	<u>97,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,218</u>	<u>-</u>	<u>497,709</u>
<b>Deferred inflows of resources:</b>									
Unavailable revenue - special assessments	-	-	-	-	-	-	-	-	767,016
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>767,016</u>
<b>Fund balances:</b>									
Restricted for:									
Capital projects	-	-	-	161,250	-	-	-	-	161,250
Debt service	-	-	-	-	-	-	-	-	33,976
Community development	-	-	-	-	-	-	-	-	2,569,356
Other	-	-	-	-	-	-	-	-	267,321
Committed	-	-	-	-	-	-	-	-	3,636,232
Assigned	360,656	13,935	85,296	2,581,349	5,802	5,976	-	-	3,075,805
Total fund balances	<u>360,656</u>	<u>13,935</u>	<u>85,296</u>	<u>2,742,599</u>	<u>5,802</u>	<u>5,976</u>	<u>-</u>	<u>-</u>	<u>9,743,940</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 360,656</u>	<u>\$ 13,935</u>	<u>\$ 183,030</u>	<u>\$ 2,742,599</u>	<u>\$ 5,802</u>	<u>\$ 5,976</u>	<u>\$ 1,218</u>	<u>\$ -</u>	<u>\$ 11,008,665</u>

**CEDAR CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>Special Revenue Funds</b>					
	<b>Airport</b>	<b>Downtown Parking</b>	<b>Transportation Impact Fees</b>	<b>Parks/ Recreation Impact Fees</b>	<b>Public Safety Impact Fees</b>	<b>Aquatic Center</b>
<b>Revenues:</b>						
Taxes	\$ 17,016	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	1,396	381	4,544	2,272	460	-
Intergovernmental revenues	25,000	-	-	-	-	126,000
Charges for services	265,215	44,793	-	-	-	481,004
Other revenues	86,444	-	160,911	145,055	39,674	35,982
Total revenues	<u>395,071</u>	<u>45,174</u>	<u>165,455</u>	<u>147,327</u>	<u>40,134</u>	<u>642,986</u>
<b>Expenditures:</b>						
Current						
General government	-	-	-	-	-	-
Police protection	-	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	5,021	-
Streets and highways	-	-	2,068	-	-	-
Parks, cemetery and public property	-	107,235	-	-	-	-
Culture and recreation	-	-	-	-	-	1,050,092
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Transportation services	331,067	-	-	-	-	-
Capital outlay	-	-	-	109,886	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>331,067</u>	<u>107,235</u>	<u>2,068</u>	<u>109,886</u>	<u>5,021</u>	<u>1,050,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,004</u>	<u>(62,061)</u>	<u>163,387</u>	<u>37,441</u>	<u>35,113</u>	<u>(407,106)</u>
<b>Other financing sources (uses):</b>						
Bond proceeds	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	78,712	436,096
Operating transfers out	(109,632)	(8,600)	-	-	(84,912)	-
Total other financing sources (uses)	<u>(109,632)</u>	<u>(8,600)</u>	<u>-</u>	<u>-</u>	<u>(6,200)</u>	<u>436,096</u>
Net change in fund balance	(45,628)	(70,661)	163,387	37,441	28,913	28,990
Fund balances, beginning of year	<u>387,490</u>	<u>125,899</u>	<u>841,223</u>	<u>397,387</u>	<u>74,579</u>	<u>228</u>
Fund balances, end of year	<u>\$ 341,862</u>	<u>\$ 55,238</u>	<u>\$ 1,004,610</u>	<u>\$ 434,828</u>	<u>\$ 103,492</u>	<u>\$ 29,218</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds (Continued)**  
**For the Year Ended June 30, 2014**

<b>Special Revenue Funds, Continued</b>						
	<b>Task Force</b>	<b>Cedar Area Transit</b>	<b>Redevelopment Agency</b>	<b>RAP Sales Tax Fund</b>	<b>TRT Sales Tax Fund</b>	<b>Golf Course Fund</b>
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 341,982	\$ 485,530	\$ 119,230	\$ 1,698
Interest earnings	431	-	13,570	4,162	108	-
Intergovernmental revenues	38,735	69,869	8,650	-	-	116,700
Charges for services	-	27,632	324,259	-	-	561,885
Other revenues	16,074	4,037	-	76	-	-
Total revenues	<u>55,240</u>	<u>101,538</u>	<u>688,461</u>	<u>489,768</u>	<u>119,338</u>	<u>680,283</u>
<b>Expenditures:</b>						
Current						
General government	-	-	-	-	-	-
Police protection	51,418	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	-	-
Streets and highways	-	-	-	-	-	-
Parks, cemetery and public property	-	-	-	-	-	-
Culture and recreation	-	-	-	-	40,000	618,683
Public works	-	-	-	-	-	-
Community and economic development	-	-	220,404	175,617	-	-
Transportation services	-	152,126	-	-	-	-
Capital outlay	-	-	104,581	-	-	193,782
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>51,418</u>	<u>152,126</u>	<u>324,985</u>	<u>175,617</u>	<u>40,000</u>	<u>812,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,822</u>	<u>(50,588)</u>	<u>363,476</u>	<u>314,151</u>	<u>79,338</u>	<u>(132,182)</u>
<b>Other financing sources (uses):</b>						
Bond proceeds	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Operating transfers in	-	50,588	8,600	-	-	159,449
Operating transfers out	-	-	-	(91,811)	(32,000)	-
Total other financing sources (uses)	<u>-</u>	<u>50,588</u>	<u>8,600</u>	<u>(91,811)</u>	<u>(32,000)</u>	<u>159,449</u>
Net change in fund balance	3,822	-	372,076	222,340	47,338	27,267
Fund balances, beginning of year	<u>208,261</u>	<u>-</u>	<u>2,854,269</u>	<u>756,748</u>	<u>-</u>	<u>11,540</u>
Fund balances, end of year	<u>\$ 212,083</u>	<u>\$ -</u>	<u>\$ 3,226,345</u>	<u>\$ 979,088</u>	<u>\$ 47,338</u>	<u>\$ 38,807</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds (Continued)**  
**For the Year Ended June 30, 2014**

	Debt Service Funds							
	Bond Sinking Fund	Municipal Building Authority	Special Improve #93-1	Special Improve #95-2	Special Improve #97-1	Special Improve #98-1	Special Improve #2002-1	Special Improve Guarantee
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	225	330	-	-	12	5	-	203
Intergovernmental revenues	84,123	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	5,859	1,093	65,265	-
Total revenues	<u>84,348</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>5,871</u>	<u>1,098</u>	<u>65,265</u>	<u>203</u>
<b>Expenditures:</b>								
Current								
General government	-	8,000	-	-	-	-	-	-
Police protection	-	-	-	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	-	-	-	-
Streets and highways	-	-	-	-	-	-	-	-
Parks, cemetery and public property	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-
Transportation services	-	-	-	-	-	-	-	-
Capital outlay	-	1,231,696	-	-	-	-	-	-
Debt service:								
Principal	1,279,000	-	-	-	-	-	198,000	-
Interest	503,066	8,272	-	-	-	-	10,395	-
Total expenditures	<u>1,782,066</u>	<u>1,247,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,395</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,697,718)</u>	<u>(1,247,638)</u>	<u>-</u>	<u>-</u>	<u>5,871</u>	<u>1,098</u>	<u>(143,130)</u>	<u>203</u>
<b>Other financing sources (uses):</b>								
Bond proceeds	-	1,270,000	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-
Operating transfers in	1,700,089	-	-	-	-	-	143,131	99,500
Operating transfers out	-	-	-	-	-	-	-	(143,131)
Total other financing sources (uses)	<u>1,700,089</u>	<u>1,270,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,131</u>	<u>(43,631)</u>
Net change in fund balance	2,371	22,362	-	-	5,871	1,098	1	(43,428)
Fund balances, beginning of year	20,420	3,972	-	-	18	44	501	43,537
Fund balances, end of year	<u>\$ 22,791</u>	<u>\$ 26,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,889</u>	<u>\$ 1,142</u>	<u>\$ 502</u>	<u>\$ 109</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds (Continued)**  
**For the Year Ended June 30, 2014**

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Coal Creek Flood Control Capital Project Fund	Cove Drive Capital Project Fund	Airport Construction Capital Project Fund	Capital Improvement	Ball Diamond Complex	Aquatic Center Capital Project Fund	Aviation Way Capital Project Fund	
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 965,456
Interest earnings	-	-	-	16,344	-	-	1,102	45,545
Intergovernmental revenues	-	99,941	401,730	-	-	-	1,218	971,966
Charges for services	-	-	-	-	-	-	-	1,704,788
Other revenues	-	-	-	-	-	-	-	560,470
Total revenues	-	99,941	401,730	16,344	-	-	1,218	4,248,225
<b>Expenditures:</b>								
Current								
General government	-	-	-	-	-	-	-	8,000
Police protection	-	-	-	-	-	-	-	51,418
Other public safety and inspection services	-	-	-	-	-	-	-	5,021
Streets and highways	-	-	-	-	-	-	1,216,928	1,218,996
Parks, cemetery and public property	-	-	-	-	-	-	-	107,235
Culture and recreation	-	-	-	-	-	-	-	1,708,775
Public works	-	-	-	18,584	-	-	-	18,584
Community and economic development	-	-	-	-	-	-	-	396,021
Transportation services	-	-	-	-	-	-	-	483,193
Capital outlay	-	98,921	430,197	-	-	84,614	1,218	2,254,895
Debt service:								
Principal	-	-	-	-	-	-	-	1,477,000
Interest	-	-	-	-	-	-	-	521,733
Total expenditures	-	98,921	430,197	18,584	-	84,614	1,218	8,250,871
Excess (deficiency) of revenues over (under) expenditures	-	1,020	(28,467)	(2,240)	-	(84,614)	-	(4,002,646)
<b>Other financing sources (uses):</b>								
Bond proceeds	-	-	-	-	-	-	-	1,270,000
Loan proceeds	-	-	-	-	-	-	722,000	722,000
Operating transfers in	-	-	109,632	500,000	-	84,614	-	3,592,199
Operating transfers out	-	-	-	(714,539)	-	-	-	(1,184,625)
Total other financing sources (uses)	-	-	109,632	(214,539)	-	84,614	-	4,399,574
Net change in fund balance	-	1,020	81,165	(216,779)	-	-	(272,038)	396,928
Fund balances, beginning of year	360,656	12,915	4,131	2,959,378	5,802	5,976	272,038	9,347,012
Fund balances, end of year	\$ 360,656	\$ 13,935	\$ 85,296	\$ 2,742,599	\$ 5,802	\$ 5,976	\$ -	\$ 9,743,940

**FEDERAL AND STATE REPORTS**

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Basic Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council  
Cedar City, Utah 84720

We have audited, in accordance with the 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 Cedar City, Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cedar City's basic financial statements and have issued our report thereon dated March 28, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and recommendations, we identified a deficiency in internal control that we consider to be a significant deficiency.

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. We consider the following deficiency described in the accompanying schedule of Findings and Recommendations to be a significant deficiency:

**14.01 Reconciliations and Year-End Accounting**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

## **Cedar City, Utah's Response to Findings**

The City's response to the findings identified in our audit is included in the letter of response from management. 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.



HintonBurdick, PLLC  
St. George, Utah  
March 28, 2015

**Independent Auditors' Report**  
**in Accordance with the *State Compliance Audit Guide* on:**

- **Compliance with General State Compliance Requirements**
- **Compliance for Each Major State Program**
- **Internal Control Over Compliance**
- **Schedule of Expenditures of State Awards**

To the Honorable Mayor and  
Members of the City Council  
Cedar City, Utah

**Report On Compliance with General State Compliance Requirements and for Each Major State Program**

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

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

Cash Management  
Budgetary Compliance  
Fund Balance  
Utah Retirement System Compliance  
Transfers from Utility Enterprise Funds

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

C Road Funds (Department of Transportation)

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on 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 and its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

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

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 13.01, 14.02 and 14.03. Our opinion on compliance is not modified with respect to these matters.

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

### **Report On Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control 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 or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less

severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

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

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 28, 2015 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.



HintonBurdick, PLLC  
St. George, Utah  
March 28, 2015

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**CEDAR CITY, UTAH**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2014**

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
<b><u>UTAH DEPARTMENT OF TRANSPORTATION</u></b>			
Airport Runway Preservation Project			\$ 198,000
Airport Runway 8/26 Rehabilitation			20,700
Cove Drive Project, Cedar City, JHC-SU09(4)			98,921
Sidewalks			36,453
Street Lights			4,900
<b>SUBTOTAL</b>			<b>\$ 358,974</b>
<b><u>DEPARTMENT OF NATURAL RESOURCES</u></b>			
Dog Barrier			\$ 100,000
Utah Community Forestry Partnership Grant			13,000
<b>SUBTOTAL</b>			<b>\$ 113,000</b>
<b><u>UTAH DEPARTMENT OF HERITAGE AND ARTS</u></b>			
LSTA Assist Tech			\$ 625
<b>SUBTOTAL</b>			<b>\$ 625</b>
<b><u>UTAH DEPARTMENT OF PUBLIC SAFETY</u></b>			
State Task Force Grant			\$ 48,595
<b>SUBTOTAL</b>			<b>\$ 48,595</b>
<b><u>OTHER</u></b>			
B & C Road Funds		FY14	\$ 1,727,147
Liquor Fund Allotment			53,635
Airport - Economic Opportunity Grant			29,818
<b>OTHER</b>			<b>\$ 1,810,600</b>
<b>TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES</b>			<b>\$ 2,331,794</b>

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**Findings and Recommendations  
For the Year Ended June 30, 2014**

Honorable Mayor and City Council  
Cedar City, Utah

Ladies and Gentlemen:

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of the funds of Cedar City, Utah for the fiscal year ended June 30, 2014 we noted some areas needing corrective action in order for the City to be in compliance with laws and regulations as well as a few procedures that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

**Internal Control over Financial Reporting:**

**Material Weaknesses: None noted**

**Significant Deficiencies:**

14.01 Reconciliations and Year-End Accounting

During our audit we noted that due to several factors including turnover in accounting positions, various year-end adjustments, reclassifying entries, and reconciliations had not been performed in a timely manner resulting in the need for several adjustments being made by management and proposed by the auditors during the audit process. The lack of timely adjustment and reconciliation can potentially result in misstatements in the financial statements.

Recommendation

We recommend that the City develop an action plan to ensure that all account reconciliations are performed and significant and material adjustments are posted to the general ledger before the annual audit takes place or interim reports are provided to the City Council.

## COMPLIANCE AND OTHER MATTERS

### Compliance Findings:

#### 13.01 Deposit and Investment Report Form

Public treasurers are required to file a “Deposit and Investment Report Form” with the Money Management Council each year (UCA 51-7-15(3)). This report contains information about the deposits and investments of that public treasurer. The Council uses this form to determine if the entity is in compliance with the Money Management Act. We noted that the amount reported for one of the City’s accounts was not correct.

#### Recommendation

We recommend the City review its procedures for preparing the Deposit and Investment Report Form to ensure the correct amounts are reported to the Money Management Council.

#### 14.02 Budgetary Compliance

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized budget. The Aquatic Center Special Revenue Fund’s expenditures exceeded the budgeted amounts.

#### Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the budget as needed.

#### 14.03 Budgetary Compliance

*Utah Code Section 10-6-147* requires the city recorder or another delegated person to provide the governing body with monthly summary financial reports and quarterly detail financial reports prepared in the manner prescribed in the Uniform Accounting Manual for Utah Cities. We noted that the city council is being provided monthly disbursement reports for their approval. However, they are not receiving any additional summary or detailed financial reports.

#### Recommendation

We recommend that the city recorder or finance director provide the city council with monthly summary and quarterly detail financial reports in accordance with State code, so that the council may make adequate and informed decisions regarding the financial matters of the City.

### **Other Matters: None Noted**

Please respond to the above Findings and Recommendations in letter form for submission to the Utah State Auditor's office as required by State law.

This report is intended solely for the information and use of the mayor, city council, management, and various federal and state agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

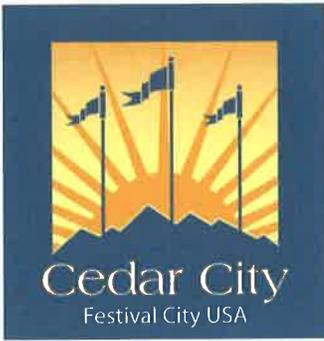
It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us in this year's audit. We invite you to ask questions of us throughout the year and we look forward to a continued professional relationship.

Sincerely,

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC  
March 28, 2015

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# Cedar City

10 North Main Street • Cedar City, UT 84720  
435-586-2950 • FAX 435-586-4362  
www.cedarcity.org

**Mayor**

Maile L. Wilson

**Council Members**

Ronald R. Adams  
John Black  
Paul Cozzens  
Don Marchant  
Fred C Rowley

**City Manager**

Rick Holman

March 31, 2015

Hinton, Burdick, Hall & Spilker, PLLC  
239 South Main, Ste. 100  
Cedar City, UT 84720

Dear Hinton, Burdick, Hall & Spilker, PLLC:

As a result of Cedar City Corporation's (the City's) June 30, 2014 fiscal year audit, the City responds as follows to the items in the findings and recommendations letter dated March 28, 2015.

### Reconciliations and Year-End Accounting

The City will implement an action plan and budget the related resources so that all account reconciliations can be performed and material adjustments can be posted to the general ledger prior to the annual audit.

### Deposit and Investment Report Form

The City intends to accurately report account balances to remain in compliance with the Money Management Act. City staff will further review procedures for preparing the Deposit and Investment Report Form to ensure the correct amounts are reported to the Money Management Council.

### Budgetary Compliance

The City intends to follow the guidelines set forth in the Fiscal Procedures Act for Utah Cities. The City will make additional efforts to identify budgetary overages and further educate departments on the appropriate procedures to both prevent and address over-expended accounts.

### Budgetary Compliance

City staff will review Utah Code 10-6-147 and provide the governing body with monthly summary reports and quarterly detail financial reports prepared in the manner prescribed in the Uniform Accounting Manual for Utah Cities.

If the City can be of further assistance or provide additional information relative to these findings, please call me at 865-5104.

Sincerely,



Jason Norris  
Finance Director