



**CEDAR CITY, UTAH**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## Table of Contents

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	18
Statement of Activities .....	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Net Position – Proprietary Funds .....	24
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	26
Statement of Cash Flows – Proprietary Funds .....	28
Statement of Fiduciary Net Position – Agency Funds .....	30
Statement of Changes in Fiduciary Net Position – Agency Funds.....	31
Notes to the Financial Statements .....	32
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	64
Schedule of Funding Progress – Retiree Healthcare Insurance Plan .....	65
Schedule of Proportionate Share of the Net Pension Liability.....	66
Schedule of Contributions.....	67
Notes to Required Supplementary Information .....	68
Combining Statements and Schedules:	
Combining Balance Sheet – Other Governmental Funds.....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds.....	74

## Table of Contents (Continued)

### FEDERAL AND STATE REPORTS

Report on Internal Control over Financial Reporting and on Compliance .....	79
Report on Compliance For Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Passenger Facility Charge Audit Guide for Public Agencies .....	81
Schedule of Findings and Questioned Costs:	
Summary of Auditor’s Results.....	85
Financial Statement Findings.....	86
Federal Award Findings and Questioned Costs .....	86
Passenger Facility Charge Program Findings and Questioned Costs .....	86
City’s Response – Corrective Action Plan.....	87
Schedule of Expenditures of Federal Awards.....	88
Notes to the Schedule of Expenditures of Federal Awards.....	88
Report on Compliance with State Fiscal Laws .....	89
Schedule of Findings and Recommendations .....	93
Response to Findings and Recommendations.....	97

## **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, 2015, 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, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, schedule of funding progress – retiree healthcare insurance plan, and pension related schedules 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 14, 2016, 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 14, 2016

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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, 2015. 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 \$240,674,936. This amount is comprised of \$206,855,350 in net investments in capital assets, \$8,853,748 of restricted net position and \$24,965,838 in unrestricted net position.
- Prior to all transfers in and out of the general fund, general fund revenues exceeded expenditures by \$3,767,464. After all transfers, general fund revenues exceeded expenditures by \$798,723. Transfers to the general fund for capital expenditures totaled \$266,059. Transfers from the general fund for capital projects, debt service and related expenses totaled \$3,234,800.
- The general fund's ending unassigned fund balance of \$3,923,685 represents 23 percent of the total budgeted expenditures and transfers for the fiscal year ending June 30, 2016.
- The City's total long-term debt decreased by \$2,705,816.
- Total net position for the City's governmental activities increased \$72,843 after a \$2,912,182 restatement adjustment for GASB 68 while total net position for business-type activities increased \$2,662,593 after a \$501,865 restatement adjustment for GASB 68.

### 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 pages 21 and 23 of this report.

The City has identified two 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 70-77 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 32-61 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 \$240,674,936.

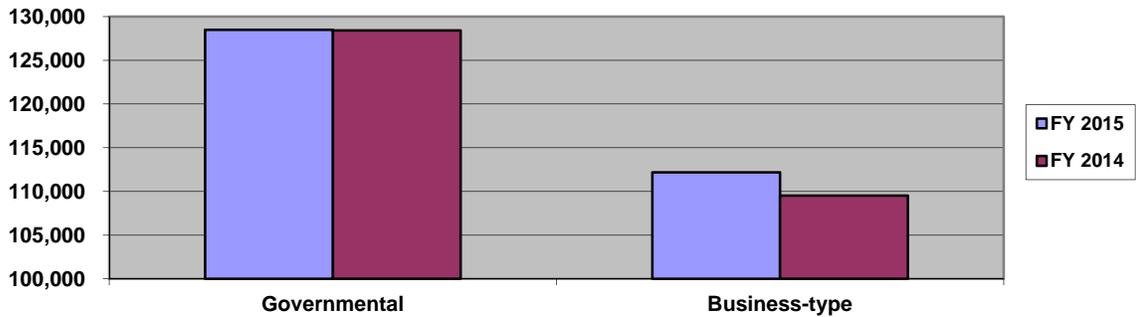
	CEDAR CITY’S NET POSITION			
	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Current and other assets	\$ 24,557,059	\$ 21,957,871	\$ 20,316,405	\$ 22,142,315
Capital assets	128,820,222	130,348,377	100,006,575	95,724,267
Total assets	153,377,281	152,306,248	120,322,980	117,866,582
Deferred outflows of resources	619,544	23,086	104,116	
Long-term debt outstanding	18,454,117	16,567,780	7,499,103	7,277,796
Other liabilities	1,959,278	2,841,171	652,603	1,067,301
Total liabilities	20,413,395	19,408,951	8,151,706	8,345,097
Deferred inflows of resources	5,092,572	4,502,368	91,312	
Net position:				
Net investment in capital assets	113,764,936	113,803,683	93,090,414	86,844,872
Restricted	5,749,491	3,936,571	3,104,257	2,898,853
Unrestricted	8,976,431	10,677,761	15,989,407	19,777,760
Total net position	\$128,490,858	\$128,418,015	\$112,184,078	\$109,521,485

CHANGES IN CEDAR CITY'S NET POSITION

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Revenues:				
Program revenues				
Charges for services	\$3,864,769	\$3,615,349	\$ 9,177,819	\$ 9,593,604
Operating grants and contributions	497,898	672,981		
Capital grants and contributions	4,498,135	2,047,299	1,091,638	784,927
General Revenues				
Property taxes	5,591,549	5,317,403		
Other taxes	8,591,768	8,939,240		
Investment income	69,812	75,565	150,257	174,018
Other revenues	670,277	602,444		9,772
Gain (loss) on sale/disposal of assets	12,898	15,203		(26,204)
Total revenues	23,797,106	21,285,484	10,419,714	10,536,117
Expenses:				
General government	992,660	1,013,319		
Police protection	3,961,843	4,218,878		
Other public safety and inspection services	2,175,632	2,199,091		
Streets and highways	4,411,593	6,033,790		
Parks, cemetery and public property	1,730,560	1,724,392		
Culture and recreation	3,857,303	3,962,650		
Public works	1,276,997	1,305,473		
Community and economic development	800,089	914,683		
Transportation services	1,112,278	1,072,738		
Interest and fiscal charges	493,126	510,994		
Water			3,501,299	3,565,622
Sewer system			1,079,960	1,079,367
Regional sewer plant			1,771,757	1,652,739
Storm drain			446,948	458,249
Solid waste			455,292	476,213
Total expenses	20,812,081	22,956,008	7,255,256	7,232,190
Increase in net position before transfers	2,985,025	(1,670,524)	3,164,458	3,303,927
Transfers		80,200		(80,200)
Increase in net position	2,985,025	(1,590,324)	3,164,458	3,223,727
Net position – beginning	128,418,015	129,259,829	109,521,485	106,424,852
Restatement adjustment	(2,912,182)	748,510	(501,865)	(127,094)
Net position – ending	\$128,490,858	\$128,418,015	\$112,184,078	\$109,521,485

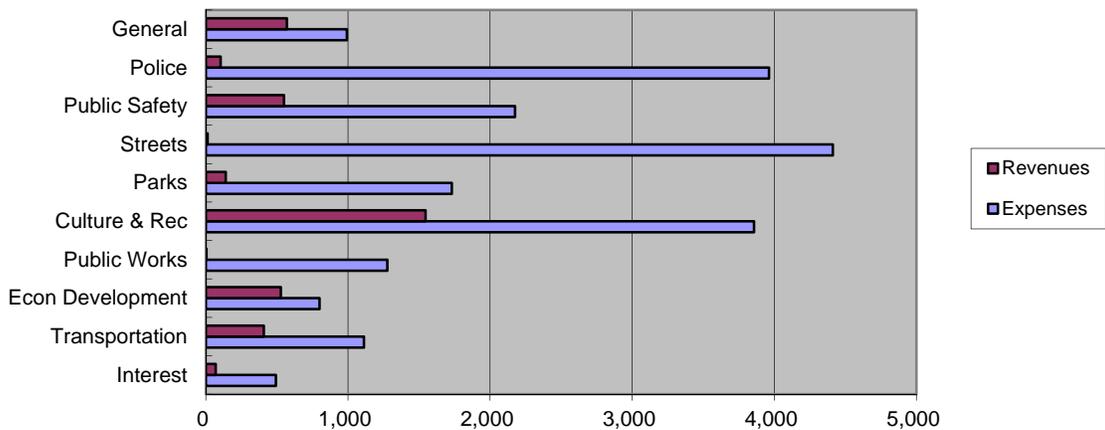
Governmental fund net position increased from \$128.4 million to \$128.5 million during fiscal year 2015, an increase of .1 percent. Business-type net position increased 2.4 percent from \$109.5 million in fiscal year 2014 to \$112.2 million in fiscal year 2015. This information is displayed in the graph below.

**CEDAR CITY'S NET POSITION BY FUND TYPE  
FY 2015 & FY 2014 COMPARISON  
(In thousands)**

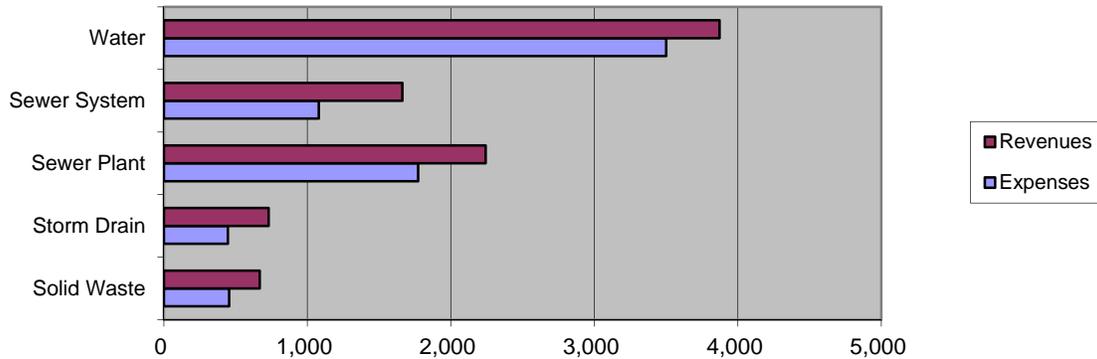


The following charts display program revenues and expenses for governmental activities and business-type activities for fiscal year 2015 as reflected in the statement of activities.

**PROGRAM REVENUES AND EXPENSES  
GOVERNMENTAL ACTIVITIES FOR FY 2015  
(In thousands)**



**PROGRAM REVENUES AND EXPENSES  
BUSINESS-TYPE ACTIVITIES FOR FY 2015  
(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.

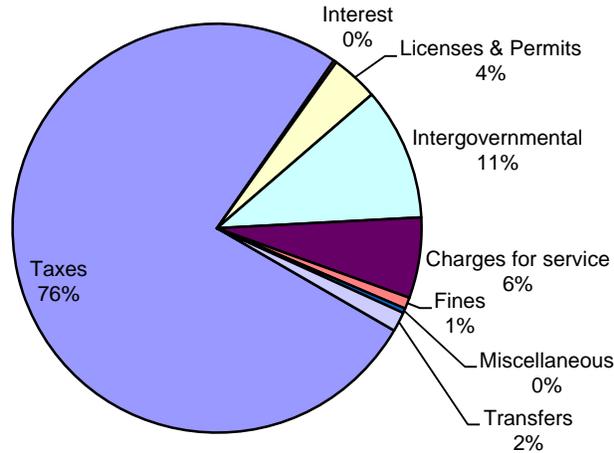
As of June 30, 2015, the City’s governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$17,663,564. This combined balance represents an increase of \$2,624,749 from last year’s ending combined fund 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 \$798,723 to \$6.1 million during the fiscal year ending June 30, 2015. The \$3.9 million unrestricted fund balance represents 23 percent of budgeted expenditures and transfers for the fiscal year ending June 30, 2016. 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 2015.

**REVENUES BY SOURCE  
GENERAL FUND FOR FY 2015**



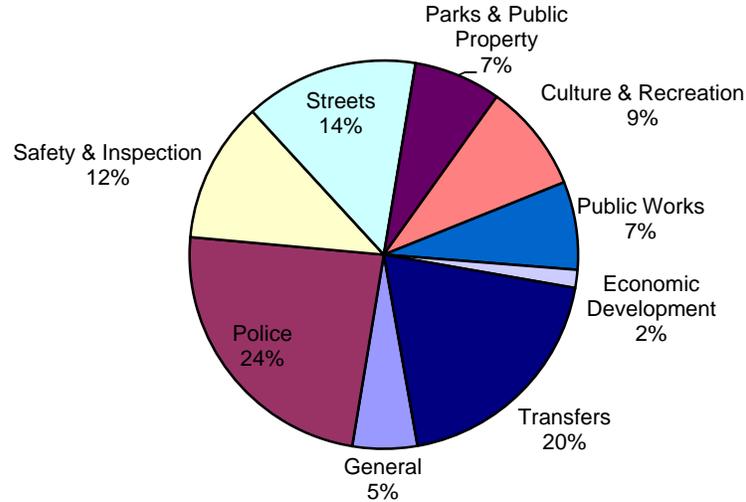
Taxes were the largest source of revenues in the general fund representing approximately 76 percent of total general fund revenues. Property tax revenues accounted for approximately 41 percent of all of the tax revenues generated in the general fund while sales taxes generated about 41 percent of the 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 2015. Approximately 61 percent of this revenue came from State of Utah road funds. Federal and state grants made up 13 percent of intergovernmental revenues, while payments from Iron County for services provided to the County by the City accounted for an additional 26 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 7 percent of general fund revenues.

**EXPENDITURES BY FUNCTION  
GENERAL FUND FOR FY 2015**



Police functions accounted for 24 percent of all general fund expenditures. Approximately 98 percent of the police expenditures were operating expenditures.

Streets accounted for 14 percent of all general fund expenditures. Approximately 2 percent of these costs were for capital projects including street and intersections improvements, sidewalk improvements and equipment.

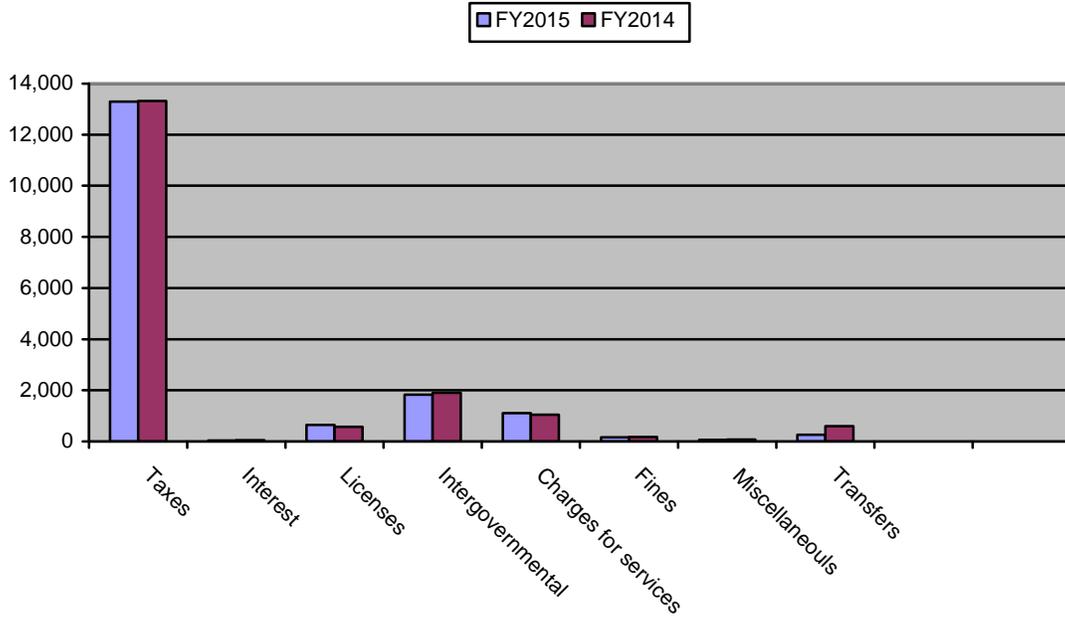
Transfers from the general fund to other funds, the second largest category, accounted for 20 percent of all general fund expenditures. Approximately 60 percent of the transfers were made to meet debt service obligations. An additional 15 percent of total transfers were made to subsidize operating costs for the aquatic center and golf course. The remaining 25 percent of transfers were made to special revenue funds.

Other public safety and inspection services accounted for 12 percent of all general fund expenditures. This category includes fire protection, building and zoning, animal control and justice court functions.

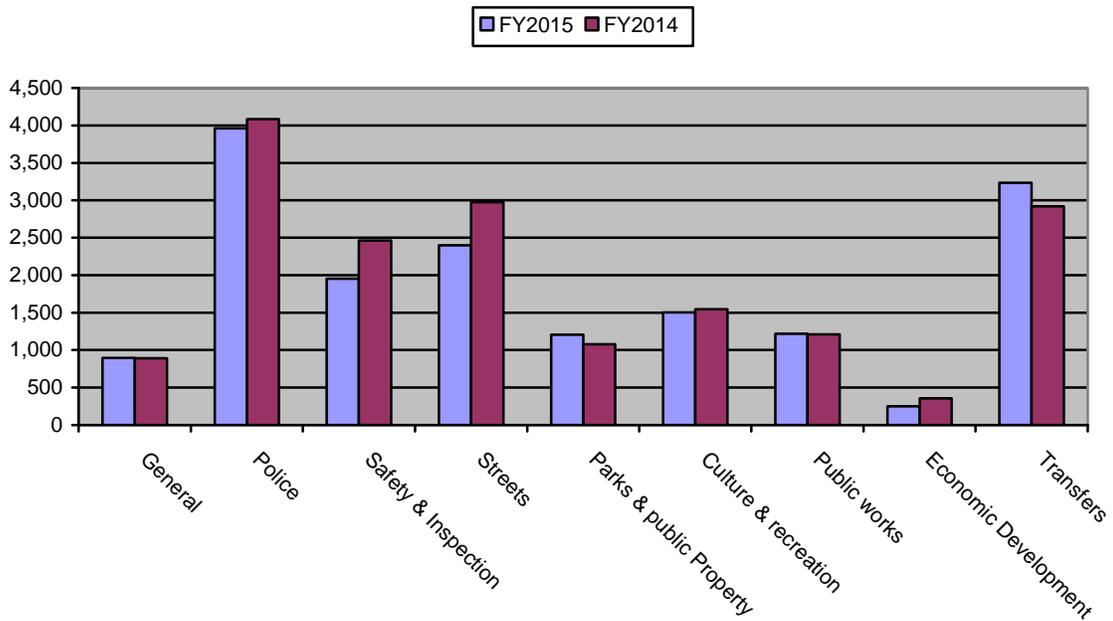
General government, public works, culture and recreation, parks and public property and economic development comprise the remaining categories of expenditures in the general fund. The combined percentage of expenditures in these categories accounted for 30 percent of total general fund expenditures.

The following charts compare fiscal year 2014 and 2015 general fund revenues and expenditures by source and function.

**REVENUES BY SOURCE  
GENERAL FUND COMPARISON FY 2015 & FY 2014  
(In thousands)**



**EXPENDITURES BY FUNCTION  
GENERAL FUND COMPARISON FY 2015 & FY 2014  
(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 2015 originally adopted budget for the general fund totaled \$16,444,093. The City Council approved one budget revision during the year. The revision increased the budget by \$1,530,207. Two main issues necessitated this revision. First, capital projects budgeted in fiscal year 2014 were not complete by the end of that fiscal year. Thus, approximately \$229,971 of remaining funds were carried over to fiscal year 2015 for completion of the projects. Second, a budget transfer of \$747,575 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, 2015, totaled \$16,613,710. This amount is \$169,617 above the originally adopted budget and \$1,360,590 below the final revised budget of \$17,974,300.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2015, the City had invested \$228,826,797, 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	
	2015	2014	2015	2014
Land and water rights	\$ 48,392,594	\$ 48,392,594	\$12,289,549	\$12,288,006
Buildings	38,712,876	39,848,553	1,969,866	2,018,055
Improvements	36,167,551	35,170,222	69,139,699	68,050,761
Office equipment	68,386	90,583	24,864	4,485
Machinery and equipment	1,683,913	2,022,046	800,424	746,069
Automobiles and trucks	3,584,947	3,931,728	1,038,724	973,575
Construction in progress	209,955	892,651	14,743,449	11,643,316
Total	<u>\$128,820,222</u>	<u>\$130,348,377</u>	<u>\$100,006,575</u>	<u>\$95,724,267</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:

- \$124,284 Cross Hollow road improvements funded by GenPak

- \$232,900 Garbage truck funded with solid waste fees
- \$692,678 Airport road sewer line replacement funded by sewer collection fees
- \$903,600 Sewer line replacement funded by inter-fund loan
- \$861,205 North tank booster pump upgrade funded by water impact & user fees
- \$743,148 Water line replacement funded by water impact & user fees
- \$2,760,706 Airport & Aviation Way improvements funded by State, Federal, and local grants with a portion matched with airport fees.
- \$249,180 Trail expansion funded with parks & rec impact fees
- \$601,345 Street additions acquired by the city

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 \$1.82 billion for tax year 2014. 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 2014 fair market values is \$218,426,531 comprised of \$72,808,844 for the 4 percent and \$145,617,687 for the additional 8 percent. In any case, the City’s outstanding debt is significantly below the statutory debt limits.

At June 30, 2015, the City had total debt outstanding of \$21,847,722. Of this amount, \$7,965,000 is considered general obligation debt, which is secured by the full faith and credit of the City. The remaining debt of \$13,882,722 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	
	2015	2014	2015	2014
General obligation bonds	\$ 7,965,000	\$ 8,480,000		
Sales tax revenue bonds	5,225,000	6,020,000		
Special improvement districts:				
Assessment bonds				
Municipal Building Authority:				
Lease revenue bonds	1,270,000	1,270,000		
Loans payable	545,722	722,000		
Revenue bonds			\$6,842,000	\$7,199,000
Capital leases				
Total	<u>\$15,005,722</u>	<u>\$16,492,000</u>	<u>\$6,842,000</u>	<u>\$7,199,000</u>

The City did not issue any new debt during the fiscal year.

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, 2015**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 16,775,629	\$ 19,183,710	\$ 35,959,339
Special assessments receivable	754,689	-	754,689
Accounts receivable	-	781,051	781,051
Property tax receivable	4,562,710	-	4,562,710
Other receivables	2,209,242	-	2,209,242
Inventory	123,256	368,466	491,722
Pre-paid expenses	5,735	-	5,735
Internal balances	32,841	(32,841)	-
Net pension asset	92,957	16,019	108,976
Capital assets:			
Nondepreciable	48,602,549	27,032,998	75,635,547
Depreciable, net of accumulated depreciation	80,217,673	72,973,577	153,191,250
Net capital assets	<u>128,820,222</u>	<u>100,006,575</u>	<u>228,826,797</u>
Total assets	<u>153,377,281</u>	<u>120,322,980</u>	<u>273,700,261</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	604,153	104,116	708,269
Deferred charge on refunding	15,391	-	15,391
Total deferred outflows of resources	<u>619,544</u>	<u>104,116</u>	<u>723,660</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,758,357	560,615	2,318,972
Interest payable	56,892	49,133	106,025
Unearned revenue	38,500	-	38,500
Liability for closure and post closure costs	-	42,855	42,855
Net OPEB obligation	105,529	-	105,529
Noncurrent liabilities:			
Due within one year	1,658,993	374,833	2,033,826
Due in more than one year	16,795,124	7,124,270	23,919,394
Total liabilities	<u>20,413,395</u>	<u>8,151,706</u>	<u>28,565,101</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	529,862	91,312	621,174
Property taxes levied for future year	4,562,710	-	4,562,710
Total deferred inflows of resources	<u>5,092,572</u>	<u>91,312</u>	<u>5,183,884</u>
<b>Net position</b>			
Net investment in capital assets	113,764,936	93,090,414	206,855,350
Restricted for:			
Capital projects	213,136	-	213,136
Debt service	148,910	-	148,910
Community development	4,954,179	3,104,257	8,058,436
Public safety	361,218	-	361,218
Other purposes	72,048	-	72,048
Unrestricted	8,976,431	15,989,407	24,965,838
Total net position	<u>\$ 128,490,858</u>	<u>\$ 112,184,078</u>	<u>\$ 240,674,936</u>

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

**CEDAR CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

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	\$ 992,660	\$ 569,843	\$ 500	\$ -	\$ (422,317)	\$ -	\$ (422,317)
Police protection	3,961,843	104,210	101,493	52,111	(3,704,029)	-	(3,704,029)
Other public safety and inspection services	2,175,632	550,220	62,893	43,044	(1,519,475)	-	(1,519,475)
Streets and highways	4,411,593	12,311	2,820	1,918,173	(2,478,289)	-	(2,478,289)
Parks, cemetery and public property	1,730,560	140,084	-	156,844	(1,433,632)	-	(1,433,632)
Culture and recreation	3,857,303	1,546,117	144,199	5,900	(2,161,087)	-	(2,161,087)
Public works	1,276,997	5,265	-	8,750	(1,262,982)	-	(1,262,982)
Community and economic development	800,089	528,460	12,500	-	(259,129)	-	(259,129)
Transportation services	1,112,278	408,259	91,913	2,313,313	1,701,207	-	1,701,207
Interest and fiscal charges	493,126	-	81,580	-	(411,546)	-	(411,546)
Total governmental activities	<u>20,812,081</u>	<u>3,864,769</u>	<u>497,898</u>	<u>4,498,135</u>	<u>(11,951,279)</u>	<u>-</u>	<u>(11,951,279)</u>
<b>Business-type activities:</b>							
Water	3,501,299	3,873,053	-	652,103	-	1,023,857	1,023,857
Sewer system	1,079,960	1,663,471	-	142,105	-	725,616	725,616
Regional sewer plant	1,771,757	2,242,903	-	162,011	-	633,157	633,157
Storm drain	446,948	730,225	-	135,419	-	418,696	418,696
Solid waste	455,292	668,167	-	-	-	212,875	212,875
Total business-type activities	<u>7,255,256</u>	<u>9,177,819</u>	<u>-</u>	<u>1,091,638</u>	<u>-</u>	<u>3,014,201</u>	<u>3,014,201</u>
Total primary government	<u>\$ 28,067,337</u>	<u>\$ 13,042,588</u>	<u>\$ 497,898</u>	<u>\$ 5,589,773</u>			
General revenues:							
Taxes:							
					5,001,526	-	5,001,526
					202,392	-	202,392
					2,101,116	-	2,101,116
					387,631	-	387,631
					6,151,953	-	6,151,953
					338,699	-	338,699
					69,812	150,257	220,069
					651,097	-	651,097
					19,180	-	19,180
					12,898	-	12,898
					<u>14,936,304</u>	<u>150,257</u>	<u>15,086,561</u>
					2,985,025	3,164,458	6,149,483
					128,418,015	109,521,485	237,939,500
					<u>(2,912,182)</u>	<u>(501,865)</u>	<u>(3,414,047)</u>
					<u>\$ 128,490,858</u>	<u>\$ 112,184,078</u>	<u>\$ 240,674,936</u>

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

**CEDAR CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	<u>General</u>	<u>Airport Construction Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,708,507	\$ -	\$ 11,020,003	\$ 16,728,510
Special assessments receivable	-	-	754,689	754,689
Property tax receivable	4,562,710	-	-	4,562,710
Other receivables	1,567,775	285,620	355,847	2,209,242
Prepaid expenditures	5,735	-	-	5,735
Due from other funds	327,298	-	259,752	587,050
Inventory	123,256	-	-	123,256
Total assets	<u>\$ 12,295,281</u>	<u>\$ 285,620</u>	<u>\$ 12,390,291</u>	<u>\$ 24,971,192</u>
<b>Liabilities:</b>				
Accounts payable	\$ 442,651	\$ 32,481	\$ 122,984	\$ 598,116
Payroll taxes payable	94,442	-	-	94,442
Other payables	1,063,380	-	-	1,063,380
Due to other funds	-	187,913	7,878	195,791
Unearned revenue	38,500	-	-	38,500
Total liabilities	<u>1,638,973</u>	<u>220,394</u>	<u>130,862</u>	<u>1,990,229</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for future year	4,562,710	-	-	4,562,710
Unavailable revenue - special assessments	-	-	754,689	754,689
Total deferred inflows of resources	<u>4,562,710</u>	<u>-</u>	<u>754,689</u>	<u>5,317,399</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	123,256	-	-	123,256
Prepaid items	5,735	-	-	5,735
Restricted for:				
Capital outlay	-	51,886	161,250	213,136
Debt service	-	-	148,910	148,910
Community development	2,010,494	-	2,943,685	4,954,179
Public safety	-	-	361,218	361,218
Other	-	-	72,048	72,048
Committed	30,428	-	4,134,283	4,164,711
Assigned	-	13,340	3,683,346	3,696,686
Unassigned	3,923,685	-	-	3,923,685
Total fund balances	<u>6,093,598</u>	<u>65,226</u>	<u>11,504,740</u>	<u>17,663,564</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,295,281</u>	<u>\$ 285,620</u>	<u>\$ 12,390,291</u>	<u>\$ 24,971,192</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, 2015**

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

Total fund balances - governmental funds		\$ 17,663,564
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 179,891,121	
Accumulated depreciation	<u>(51,070,899)</u>	128,820,222
Net pension asset is not an available resource and, therefore, is not reported in the funds.		
		92,957
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	\$ (14,460,000)	
Add: Bond premium	(64,955)	
Less: Deferred charge on refunding	15,391	
Loans payable	(545,722)	
Compensated absences	(699,227)	
Interest payable	(56,892)	
Net pension liability	(2,684,213)	
Net OPEB obligation	<u>(105,529)</u>	(18,601,147)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	604,153	
Deferred inflows related to pensions	<u>(529,862)</u>	74,291
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		754,689
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>(313,718)</u>
		<u><u>\$128,490,858</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, 2015**

	General	Airport Construction Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 13,291,895	\$ -	\$ 915,443	\$ 14,207,338
Interest earnings	42,304	-	45,838	88,142
Licenses and permits	651,097	-	-	651,097
Intergovernmental revenues	1,829,085	2,055,485	602,592	4,487,162
Charges for services	1,108,155	-	1,883,535	2,991,690
Fines and forfeitures	157,835	-	-	157,835
Other revenues	66,003	-	700,177	766,180
Total revenues	<u>17,146,374</u>	<u>2,055,485</u>	<u>4,147,585</u>	<u>23,349,444</u>
<b>Expenditures:</b>				
Current				
General government	893,569	-	-	893,569
Police protection	3,961,624	-	48,225	4,009,849
Other public safety and inspection services	1,950,996	-	5,021	1,956,017
Streets and highways	2,398,298	-	-	2,398,298
Parks, cemetery and public property	1,203,723	-	17,835	1,221,558
Culture and recreation	1,503,316	-	1,691,926	3,195,242
Public works	1,218,561	-	-	1,218,561
Community and economic development	248,823	-	400,190	649,013
Transportation services	-	-	457,277	457,277
Capital outlay	-	2,128,187	623,995	2,752,182
Debt service:				
Principal	-	-	1,486,278	1,486,278
Interest	-	-	486,851	486,851
Total expenditures	<u>13,378,910</u>	<u>2,128,187</u>	<u>5,217,598</u>	<u>20,724,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,767,464</u>	<u>(72,702)</u>	<u>(1,070,013)</u>	<u>2,624,749</u>
<b>Other financing sources (uses):</b>				
Transfers in	266,059	52,632	3,438,861	3,757,552
Transfers out	(3,234,800)	-	(522,752)	(3,757,552)
Total other financing sources (uses)	<u>(2,968,741)</u>	<u>52,632</u>	<u>2,916,109</u>	<u>-</u>
Net change in fund balance	798,723	(20,070)	1,846,096	2,624,749
Fund balances, beginning of year	<u>5,294,875</u>	<u>85,296</u>	<u>9,658,644</u>	<u>15,038,815</u>
Fund balances, end of year	<u>\$ 6,093,598</u>	<u>\$ 65,226</u>	<u>\$ 11,504,740</u>	<u>\$ 17,663,564</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, 2015**

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

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 2,624,749</b>
<p>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.</p>		
Capital outlay	\$ 2,957,757	
Depreciation expense	<u>(4,928,857)</u>	(1,971,100)
<p>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.</p>		
		3,381
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales and transfers) changes net position. In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the carrying cost of the assets sold.</p>		
		(444)
<p>Sub divider and other capital contributions do not provide current financial resources in the governmental funds, however these contributions are recorded as revenue in the government-wide statement of activities.</p>		
		475,500
<p>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.</p>		
		(12,327)
<p>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.</p>		
		9,848
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.</p>		
Pension contributions	\$ 533,854	
Pension expense	<u>(138,637)</u>	395,217
<p>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.</p>		
Principal payments on long-term debt	\$ 1,486,278	
Changes in accrued interest payable	(9,405)	
Amortization of bond premiums and deferred amounts	<u>3,130</u>	1,480,003
<p>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.</p>		
		<u>(19,802)</u>
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 2,985,025</u></u></b>

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

**CEDAR CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,821,295	\$ 2,593,341	\$ 5,502,978
Receivables, net of allowance	293,625	60,942	267,442
Inventory	363,402	-	-
Due from other funds	226,911	-	1,117,670
Total current assets	<u>7,705,233</u>	<u>2,654,283</u>	<u>6,888,090</u>
Noncurrent assets:			
Net pension asset	7,083	2,288	4,686
Capital assets:			
Nondepreciable	12,855,764	77,738	10,798,062
Depreciable, net of accumulated depreciation	<u>38,758,483</u>	<u>21,473,030</u>	<u>3,231,943</u>
Net capital assets	<u>51,614,247</u>	<u>21,550,768</u>	<u>14,030,005</u>
Total noncurrent assets	<u>51,621,330</u>	<u>21,553,056</u>	<u>14,034,691</u>
Total assets	<u>59,326,563</u>	<u>24,207,339</u>	<u>20,922,781</u>
<b>Deferred outflows of resources:</b>			
Deferred outflows related to pensions	<u>46,037</u>	<u>14,874</u>	<u>30,456</u>
Total deferred outflows of resources	<u>46,037</u>	<u>14,874</u>	<u>30,456</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	167,134	17,516	276,860
Interest payable	20,562	-	-
Deposits payable	56,811	-	-
Compensated absences payable - current	5,080	1,849	3,349
Bonds payable - current	155,000	-	-
Due to other funds	-	1,117,670	-
Total current liabilities	<u>404,587</u>	<u>1,137,035</u>	<u>280,209</u>
Noncurrent liabilities:			
Liability for closure and post closure costs	-	-	-
Net pension liability	204,541	66,083	135,312
Compensated absences payable	51,360	18,695	33,864
Bonds payable	<u>3,179,161</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>3,435,062</u>	<u>84,778</u>	<u>169,176</u>
Total liabilities	<u>3,839,649</u>	<u>1,221,813</u>	<u>449,385</u>
<b>Deferred inflows of resources:</b>			
Deferred inflows related to pensions	<u>40,376</u>	<u>13,045</u>	<u>26,710</u>
Total deferred inflows of resources	<u>40,376</u>	<u>13,045</u>	<u>26,710</u>
<b>Net position</b>			
Net investment in capital assets	48,280,086	21,550,768	14,030,005
Restricted for:			
Community development	2,194,337	-	-
Unrestricted	<u>5,018,152</u>	<u>1,436,587</u>	<u>6,447,137</u>
Total net position	<u>\$ 55,492,575</u>	<u>\$ 22,987,355</u>	<u>\$ 20,477,142</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>
\$ 3,004,755	\$ 1,261,341	\$ 19,183,710	\$ 47,119
64,798	94,244	781,051	-
-	5,064	368,466	-
-	-	1,344,581	-
<u>3,069,553</u>	<u>1,360,649</u>	<u>21,677,808</u>	<u>47,119</u>
545	1,417	16,019	-
3,301,434	-	27,032,998	500
8,976,098	534,023	72,973,577	1,220,879
<u>12,277,532</u>	<u>534,023</u>	<u>100,006,575</u>	<u>1,221,379</u>
<u>12,278,077</u>	<u>535,440</u>	<u>100,022,594</u>	<u>1,221,379</u>
<u>15,347,630</u>	<u>1,896,089</u>	<u>121,700,402</u>	<u>1,268,498</u>
3,541	9,208	104,116	-
<u>3,541</u>	<u>9,208</u>	<u>104,116</u>	<u>-</u>
1,455	40,839	503,804	2,419
28,571	-	49,133	-
-	-	56,811	-
95	460	10,833	-
209,000	-	364,000	-
259,752	-	1,377,422	358,418
<u>498,873</u>	<u>41,299</u>	<u>2,362,003</u>	<u>360,837</u>
-	42,855	42,855	-
15,734	40,908	462,578	-
957	4,655	109,531	-
3,373,000	-	6,552,161	-
<u>3,389,691</u>	<u>88,418</u>	<u>7,167,125</u>	<u>-</u>
<u>3,888,564</u>	<u>129,717</u>	<u>9,529,128</u>	<u>360,837</u>
3,106	8,075	91,312	-
<u>3,106</u>	<u>8,075</u>	<u>91,312</u>	<u>-</u>
8,695,532	534,023	93,090,414	1,221,379
909,920	-	3,104,257	-
1,854,049	1,233,482	15,989,407	(313,718)
<u>\$ 11,459,501</u>	<u>\$ 1,767,505</u>	<u>\$ 112,184,078</u>	<u>\$ 907,661</u>

**CEDAR CITY, UTAH**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
<b>Operating revenues:</b>			
Charges for services	\$ 3,776,314	\$ 1,663,441	\$ 2,231,136
Penalties	79,278	-	-
Other revenues	17,461	30	11,767
Total operating revenues	<u>3,873,053</u>	<u>1,663,471</u>	<u>2,242,903</u>
<b>Operating expenses:</b>			
Salaries	521,133	160,863	330,355
Employees benefits	239,080	92,540	150,019
Administration	186,250	53,712	70,849
Utilities	657,510	33,005	209,383
Professional services	2,747	1,104	16,408
Repairs and maintenance	313,191	29,086	160,966
Insurance	17,440	11,641	10,821
Miscellaneous	5,428	3,366	7,520
Supplies	340,725	26,149	92,561
Closure and post closure expenses	-	-	-
Depreciation	1,095,310	625,635	722,875
Total operating expenses	<u>3,378,814</u>	<u>1,037,101</u>	<u>1,771,757</u>
Operating income	<u>494,239</u>	<u>626,370</u>	<u>471,146</u>
<b>Nonoperating revenues (expenses):</b>			
Interest earnings	42,856	11,636	75,220
Interest and fiscal charges	(122,485)	(42,859)	-
Total nonoperating revenues (expenses)	<u>(79,629)</u>	<u>(31,223)</u>	<u>75,220</u>
Income before contributions and transfers	<u>414,610</u>	<u>595,147</u>	<u>546,366</u>
Capital contributions	135,261	72,930	-
Impact fees	467,011	69,175	162,011
Water acquisition fee	49,831	-	-
<b>Change in net position</b>	<u>1,066,713</u>	<u>737,252</u>	<u>708,377</u>
Total net position, beginning of year	54,647,775	22,321,798	19,915,569
Restatement adjustment	<u>(221,913)</u>	<u>(71,695)</u>	<u>(146,804)</u>
Total net position, end of year	<u>\$ 55,492,575</u>	<u>\$ 22,987,355</u>	<u>\$ 20,477,142</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>
\$ 730,225	\$ 668,167	\$ 9,069,283	\$ 86,424
-	-	79,278	-
-	-	29,258	-
<u>730,225</u>	<u>668,167</u>	<u>9,177,819</u>	<u>86,424</u>
38,227	100,985	1,151,563	3,938
15,939	54,711	552,289	446
73,122	67,171	451,104	-
408	(49)	900,257	23,749
651	364	21,274	78
36,254	21,670	561,167	3,208
24,297	3,101	67,300	2,615
482	25,418	42,214	-
11,275	92,163	562,873	1,387
-	2,898	2,898	-
156,520	86,860	2,687,200	32,111
<u>357,175</u>	<u>455,292</u>	<u>7,000,139</u>	<u>67,532</u>
<u>373,050</u>	<u>212,875</u>	<u>2,177,680</u>	<u>18,892</u>
14,850	5,695	150,257	128
(89,773)	-	(255,117)	(15,639)
<u>(74,923)</u>	<u>5,695</u>	<u>(104,860)</u>	<u>(15,511)</u>
<u>298,127</u>	<u>218,570</u>	<u>2,072,820</u>	<u>3,381</u>
-	-	208,191	-
135,419	-	833,616	-
-	-	49,831	-
<u>433,546</u>	<u>218,570</u>	<u>3,164,458</u>	<u>3,381</u>
11,043,025	1,593,318	109,521,485	904,280
(17,070)	(44,383)	(501,865)	-
<u>\$ 11,459,501</u>	<u>\$ 1,767,505</u>	<u>\$ 112,184,078</u>	<u>\$ 907,661</u>

**CEDAR CITY, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 4,077,840	\$ 1,677,645	\$ 2,242,903
Cash payments to suppliers for goods and services	(1,353,240)	(94,635)	(777,962)
Cash payments to employees for services	(794,658)	(261,760)	(497,652)
Cash payments to other funds for services provided	(186,250)	(53,712)	(70,849)
Net cash flows from operating activities	<u>1,743,692</u>	<u>1,267,538</u>	<u>896,440</u>
<b>Cash flows from noncapital financing activities:</b>			
Loans due from other funds	20,617	-	201,943
Loans due to other funds	-	(201,943)	-
Net cash flows from noncapital financing activities	<u>20,617</u>	<u>(201,943)</u>	<u>201,943</u>
<b>Cash flows from capital and related financing activities:</b>			
Water acquisition and impact fees	516,842	69,175	162,011
Acquisition of capital assets	(1,141,961)	(701,885)	(4,535,734)
Interest paid on capital debt	(127,870)	(42,859)	-
Principal paid on capital debt	(150,000)	-	-
Net cash flows from capital and related activities	<u>(902,989)</u>	<u>(675,569)</u>	<u>(4,373,723)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	42,856	11,636	75,220
Net cash flows from investing activities	<u>42,856</u>	<u>11,636</u>	<u>75,220</u>
Net change in cash and cash equivalents	<u>904,176</u>	<u>401,662</u>	<u>(3,200,120)</u>
<b>Cash and cash equivalents - beginning (including restricted cash)</b>	<u>5,917,119</u>	<u>2,191,679</u>	<u>8,703,098</u>
<b>Cash and cash equivalents - ending (including restricted cash)</b>	<u>\$ 6,821,295</u>	<u>\$ 2,593,341</u>	<u>\$ 5,502,978</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>			
Operating income (loss)	\$ 494,239	\$ 626,370	\$ 471,146
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,095,310	625,635	722,875
Pension expense	10,565	3,414	6,988
Employer pension contributions	(40,681)	(13,143)	(26,912)
(Increase) decrease in accounts receivable	194,287	14,174	-
(Increase) decrease in inventory	16,213	-	-
Increase (decrease) in accounts payable	(32,412)	9,716	(280,303)
Increase (decrease) in deposits payable	10,500	-	-
Increase (decrease) in compensated absences payable	(4,329)	1,372	2,646
Increase (decrease) in closure and post closure liability	-	-	-
Total adjustments	<u>1,249,453</u>	<u>641,168</u>	<u>425,294</u>
Net cash flows from operating activities	<u>\$ 1,743,692</u>	<u>\$ 1,267,538</u>	<u>\$ 896,440</u>
<b>Non-cash contributions of capital assets</b>	<u>\$ 135,261</u>	<u>\$ 72,930</u>	<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>
\$ 732,644	\$ 668,453	\$ 9,399,485	\$ 86,424
(77,241)	(140,966)	(2,444,044)	(33,092)
(57,139)	(161,908)	(1,773,117)	(4,384)
(73,122)	(67,171)	(451,104)	-
<u>525,142</u>	<u>298,408</u>	<u>4,731,220</u>	<u>48,948</u>
-	-	222,560	-
(22,234)	-	(224,177)	(32,566)
<u>(22,234)</u>	<u>-</u>	<u>(1,617)</u>	<u>(32,566)</u>
135,419	-	883,447	-
(148,835)	(232,900)	(6,761,315)	-
(90,394)	-	(261,123)	(15,639)
(207,000)	-	(357,000)	-
<u>(310,810)</u>	<u>(232,900)</u>	<u>(6,495,991)</u>	<u>(15,639)</u>
14,850	5,695	150,257	128
<u>14,850</u>	<u>5,695</u>	<u>150,257</u>	<u>128</u>
206,948	71,203	(1,616,131)	871
<u>2,797,807</u>	<u>1,190,138</u>	<u>20,799,841</u>	<u>46,248</u>
<u>\$ 3,004,755</u>	<u>\$ 1,261,341</u>	<u>\$ 19,183,710</u>	<u>\$ 47,119</u>
\$ 373,050	\$ 212,875	\$ 2,177,680	\$ 18,892
156,520	86,860	2,687,200	32,111
813	2,111	23,891	-
(3,129)	(8,136)	(92,001)	-
2,419	286	211,166	-
-	36	16,249	-
(3,874)	1,665	(305,208)	(2,055)
-	-	10,500	-
(657)	(187)	(1,155)	-
-	2,898	2,898	-
<u>152,092</u>	<u>85,533</u>	<u>2,553,540</u>	<u>30,056</u>
<u>\$ 525,142</u>	<u>\$ 298,408</u>	<u>\$ 4,731,220</u>	<u>\$ 48,948</u>
\$ -	\$ -	\$ 208,191	\$ -

**CEDAR CITY, UTAH**  
**Statement of Fiduciary Net Position**  
**Agency Funds**  
**June 30, 2015**

	<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	\$ 72,087	\$ -	\$ 72,087
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	-	(402,521)	(402,521)
Total assets	<u>72,087</u>	<u>1,512,758</u>	<u>1,584,845</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>\$ 72,087</u>	<u>\$ 1,512,258</u>	<u>\$ 1,584,345</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, 2015**

	<u>Agency Funds</u>		<u>Total</u>
	<u>Task Force</u>	<u>Festival City</u>	
	<u>Trust Fund</u>	<u>Development</u>	
		<u>Foundation</u>	
<b>Additions</b>			
Investment earnings:			
Interest	\$ 362	\$ -	\$ 362
Other revenues	-	-	-
Total additions	<u>362</u>	<u>-</u>	<u>362</u>
<b>Deductions</b>			
Miscellaneous	-	14,796	14,796
Depreciation	-	34,363	34,363
Total deductions	<u>-</u>	<u>49,159</u>	<u>49,159</u>
Change in net position	362	(49,159)	(48,797)
Net position - beginning	<u>71,725</u>	<u>1,561,417</u>	<u>1,633,142</u>
Net position - ending	<u>\$ 72,087</u>	<u>\$ 1,512,258</u>	<u>\$ 1,584,345</u>

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

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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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, 2015**

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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 **Airport Construction Capital Project Fund** accounts for improvement projects at the Airport.

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, 2015**

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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, 2015**

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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, 2015**

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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

***Pensions***

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

***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 has two types of items that qualify for reporting in this category. The first 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. The second item is pension related items reported on the government-wide and proprietary fund financial statements. See Note 9 for more information.

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 two types of items, which qualify for reporting in this category. Accordingly, the first 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. The second item is pension related items reported on the government-wide and proprietary fund financial statements. See Note 9 for more information.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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***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.

***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.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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*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.

**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.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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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.

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**

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. 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, 2015**

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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, 2015**

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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, 2015, \$3,086,318 of the City's bank balance of \$3,446,218 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, 2015**

**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, 2015, 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	\$ 32,932,183	N/A	65.04

- (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, 2015.

**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, 2015**

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:				
Land	\$ 48,392,594	\$ -	\$ -	\$ 48,392,594
Construction in progress	892,651	2,528,555	(3,211,251)	209,955
Total capital assets, not being depreciated	<u>49,285,245</u>	<u>2,528,555</u>	<u>(3,211,251)</u>	<u>48,602,549</u>
Capital assets, being depreciated:				
Buildings and improvements	46,878,999	-	-	46,878,999
Improvements other than buildings	67,264,173	4,040,291	-	71,304,464
Office furniture and equipment	539,517	-	-	539,517
Machinery and equipment	3,916,210	50,056	(10,798)	3,955,468
Automobiles and trucks	8,631,980	25,606	(47,462)	8,610,124
Total capital assets, being depreciated	<u>127,230,879</u>	<u>4,115,953</u>	<u>(58,260)</u>	<u>131,288,572</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,030,446)	(1,135,677)	-	(8,166,123)
Improvements other than buildings	(32,093,951)	(3,042,962)	-	(35,136,913)
Office furniture and equipment	(448,934)	(22,197)	-	(471,131)
Machinery and equipment	(1,894,164)	(388,189)	10,798	(2,271,555)
Automobiles and trucks	(4,700,252)	(371,943)	47,018	(5,025,177)
Total accumulated depreciation	<u>(46,167,747)</u>	<u>(4,960,968)</u>	<u>57,816</u>	<u>(51,070,899)</u>
Total capital assets, being depreciated, net	<u>81,063,132</u>	<u>(845,015)</u>	<u>(444)</u>	<u>80,217,673</u>
Governmental activities capital assets, net	<u>\$ 130,348,377</u>	<u>\$ 1,683,540</u>	<u>\$ (3,211,695)</u>	<u>\$ 128,820,222</u>

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

<b>Governmental Activities:</b>	
General government	\$ 135,159
Police protection	198,975
Other public safety and inspection services	271,804
Streets and highways	2,032,483
Parks, cemetery, and public property	632,846
Culture and recreation	724,345
Public works	149,716
Community and economic development	155,429
Transportation services	660,211
Total depreciation expense - governmental activities	<u>\$4,960,968</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5. Capital Assets, Continued**

<b>Business-type Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets not being depreciated:				
Land and water rights	\$ 12,288,006	\$ 1,543	\$ -	\$ 12,289,549
Construction in progress	11,643,317	6,209,558	(3,109,426)	14,743,449
Total capital assets, not being depreciated	<u>23,931,323</u>	<u>6,211,101</u>	<u>(3,109,426)</u>	<u>27,032,998</u>
Capital assets being depreciated:				
Buildings	3,644,132	36,700	-	3,680,832
Improvements other than buildings	98,989,407	3,421,744	-	102,411,151
Office furniture and equipment	32,693	23,270	-	55,963
Machinery and equipment	1,369,833	153,216	-	1,523,049
Automobiles and trucks	2,022,392	232,902	-	2,255,294
Total capital assets, being depreciated	<u>106,058,457</u>	<u>3,867,832</u>	<u>-</u>	<u>109,926,289</u>
Less accumulated depreciation for:				
Buildings	(1,626,077)	(84,889)	-	(1,710,966)
Improvements other than buildings	(30,938,646)	(2,332,806)	-	(33,271,452)
Office furniture and equipment	(28,208)	(2,891)	-	(31,099)
Machinery and equipment	(623,765)	(98,860)	-	(722,625)
Automobiles and trucks	(1,048,817)	(167,753)	-	(1,216,570)
Total accumulated depreciation	<u>(34,265,513)</u>	<u>(2,687,199)</u>	<u>-</u>	<u>(36,952,712)</u>
Total capital assets, being depreciated, net	<u>71,792,944</u>	<u>1,180,633</u>	<u>-</u>	<u>72,973,577</u>
Business-type activities capital assets, net	<u>\$ 95,724,267</u>	<u>\$ 7,391,734</u>	<u>\$ (3,109,426)</u>	<u>\$ 100,006,575</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2015.

	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2015</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
<b>General obligation bonds:</b>					
Library bond CIB	\$ 1,537,000	\$ -	\$ 101,000	\$ 1,436,000	\$ 104,000
Aquatic center bond 2009	6,286,000	-	197,000	6,089,000	205,000
Library refunding bond 2012	657,000	-	217,000	440,000	217,000
Total general obligation	<u>8,480,000</u>	<u>-</u>	<u>515,000</u>	<u>7,965,000</u>	<u>526,000</u>
<b>Revenue bonds:</b>					
Sales tax revenue refunding bond 2011	6,020,000	-	795,000	5,225,000	815,000
Lease revenue bond	1,270,000	-	-	1,270,000	76,000
Bond premium	75,780	-	10,825	64,955	-
Total revenue bonds	<u>7,365,780</u>	<u>-</u>	<u>805,825</u>	<u>6,559,955</u>	<u>891,000</u>
<b>Loans payable:</b>					
UDOT loan	722,000	-	176,278	545,722	179,063
Total loans payable	<u>722,000</u>	<u>-</u>	<u>176,278</u>	<u>545,722</u>	<u>179,063</u>
<b>Compensated absences</b>	679,425	19,802	-	699,227	62,930
<b>Net pension liability *</b>	3,422,676	-	738,463	2,684,213	-
Governmental activity long-term liabilities	<u>20,669,881</u>	<u>19,802</u>	<u>2,235,566</u>	<u>18,454,117</u>	<u>1,658,993</u>
<b>Business-type activities:</b>					
<b>Revenue bonds:</b>					
Storm drain revenue bond 2013	3,789,000	-	207,000	3,582,000	209,000
Water revenue bond 2011	3,410,000	-	150,000	3,260,000	155,000
Bond premium	78,796	-	4,635	74,161	-
Total revenue bonds	<u>7,277,796</u>	<u>-</u>	<u>361,635</u>	<u>6,916,161</u>	<u>364,000</u>
<b>Compensated absences</b>	121,519	-	1,155	120,364	10,833
<b>Net pension liability *</b>	589,840	-	127,262	462,578	-
Business-type activity long-term liabilities	<u>7,989,155</u>	<u>-</u>	<u>490,052</u>	<u>7,499,103</u>	<u>374,833</u>
Total long-term liabilities	<u>\$ 28,659,036</u>	<u>\$ 19,802</u>	<u>\$ 2,725,618</u>	<u>\$ 25,953,220</u>	<u>\$ 2,033,826</u>

\*See Note 16 regarding the beginning balances of the net pension liability.

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

Bonds payable at June 30, 2015 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%	\$ 1,436,000
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%	6,089,000
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>440,000</u>
Total general obligation bonds	<u>7,965,000</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%	5,225,000
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%	3,260,000
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>3,582,000</u>
Total revenue bonds	<u>13,337,000</u>

**Loans payable:**

**Governmental activities:**

UDOT SIB loan payable in installments of \$176,278 to \$184,766 bearing interest of 1.58%	<u>545,722</u>
Total loans payable	<u>545,722</u>

**Compensated absences**

**Net pension liability**

Total long-term debt	25,814,104
Plus: Bond premium	
Governmental activities	64,955
Business-type activities	74,161
Less: Current portion:	
Governmental activities	(1,658,993)
Business-type activities	<u>(374,833)</u>

**Net long-term debt**

\$ 23,919,394

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

The City's total debt service maturities at June 30, 2015 are as follows:

Year Ended June 30,	Business-type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 364,000	\$ 209,082	\$ 573,082	\$ 1,596,063	\$ 468,074	\$ 2,064,137
2017	371,000	202,237	573,237	1,636,893	430,325	2,067,218
2018	379,000	194,505	573,505	1,447,766	391,327	1,839,093
2019	387,000	186,254	573,254	1,302,000	350,023	1,652,023
2020	395,000	176,941	571,941	1,340,000	310,423	1,650,423
2021-2025	2,155,000	714,027	2,869,027	3,325,000	1,059,541	4,384,541
2026-2030	2,526,000	341,163	2,867,163	2,365,000	631,405	2,996,405
2031-2035	265,000	11,387	276,387	1,993,000	245,360	2,238,360
Total	<u>\$ 6,842,000</u>	<u>\$ 2,035,596</u>	<u>\$ 8,877,596</u>	<u>\$ 15,005,722</u>	<u>\$ 3,886,478</u>	<u>\$ 18,892,200</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, 2015**

**NOTE 7. Interfund Transactions and Balances**

Individual fund receivable and payable balances at June 30, 2015 were:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 327,298	\$ -
Airport Construction Capital Project Fund	-	187,913
Nonmajor Governmental Funds	259,752	7,878
Public Works Facilities Internal Service Fund	-	358,418
Water Fund	226,911	-
Sewer Collection System Fund	-	1,117,670
Sewer Plant Fund	1,117,670	-
Storm Drain Utility Fund	-	259,752
<b>Total</b>	<b>\$ 1,931,631</b>	<b>\$ 1,931,631</b>

Loans outstanding from the general fund, capital improvements fund, water fund, and regional sewer fund in the amount of \$1,735,840 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, 2015 consisted of the following:

	<b>Transfers out:</b>		
	General Fund	Nonmajor Governmental Funds	Total Transfers in
<b>Transfer in:</b>			
General Fund	\$ -	\$ 266,059	\$ 266,059
Airport Construction Capital Project Fund	-	52,632	52,632
Nonmajor Governmental Funds	3,234,800	204,061	3,438,861
Total transfers out	\$ 3,234,800	\$ 522,752	\$ 3,757,552

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, 2015**

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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, 2015**

**NOTE 8. Equity Classifications, Continued**

The components of fund equity are as follows:

**Governmental Activities**

**General fund:**

Nonspendable	
Inventory	\$ 123,256
Prepays	5,735
Total nonspendable	<u>\$ 128,991</u>
Restricted for:	
Community development	
Class C roads	\$ 1,963,282
State liquor funds	36,824
Perry legacy donation	10,388
Total restricted	<u>\$ 2,010,494</u>
Committed to:	
Traffic school	\$ 30,428
Total committed	<u>\$ 30,428</u>

**Airport Construction Capital Project fund:**

Restricted for:	
Passenger facility charges	\$ 51,886
Total restricted	<u>\$ 51,886</u>
Assigned to:	
Capital Improvements	\$ 13,340
Total assigned	<u>\$ 13,340</u>

**Other Governmental funds:**

Restricted for:	
Capital projects	
Capital improvement	\$ 161,250
Debt service	
SID guarantee	109
Special Improve 2002-1	14,942
Special Improve 97-1	11,790
Special Improve 98-1	1,967
Municipal Building Authority	120,102
Community development	
Transportation impact fees	1,243,114
Parks impact fees	495,775
RAP tax	1,095,182
TRT tax	109,614
Public safety	
Public safety impact fees	142,204
Task force	219,014
Other	
Parking authority	72,048
Total restricted	<u>\$ 3,687,111</u>
Committed to:	
Aquatic center	\$ 124,492
Airport	389,266
Golf course	85,588
RDA	3,534,937
Total committed	<u>\$ 4,134,283</u>
Assigned to:	
Debt service	\$ 26,195
Capital Improvements	3,657,151
Total assigned	<u>\$ 3,683,346</u>

**Business-type Activities**

**Water fund:**

Restricted for:	
Community development	\$ 2,194,337
Total restricted	<u>\$ 2,194,337</u>

**Storm Drain:**

Restricted for:	
Community development	\$ 909,920
Total restricted	<u>\$ 909,920</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 9. Defined Benefit Pension Plan**

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*General Information about the Pension Plan*

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

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

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

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

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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

**Summary of Benefits by System**

<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial deductions

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

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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

**Utah Retirement Systems**

	<b>Employee Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rates</b>
Contributory System			
111 – Local Governmental Division Tier 2	N/A	N/A	14.830 %
Noncontributory System			
15 – Local Governmental Division Tier 1	N/A	N/A	18.470 %
Public Safety Retirement System			
75 – Other Division A Noncontributory Tier 1	N/A	N/A	35.710 %
77 – Other Division A Contributory Tier 1	N/A	12.290 %	24.330 %
122 – Other Division A Contributory Tier 2	N/A	N/A	23.710 %
Firefighters System			
31 – Division A Tier 1	N/A	15.050 %	3.820 %
132 – Division B Tier 2	N/A	N/A	10.800 %

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

At December 31, 2014, the City reported a net pension asset of \$108,976 and a net pension liability of \$3,146,791.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.4371351%	\$ -	\$ 1,898,143
Public Safety System	0.9928954%	-	1,248,648
Firefighters System	1.8205587 %	103,888	-
Tier 2 Public Employees System	0.0898213%	2,722	-
Tier 2 Public Safety and Firefighter System	0.1599562%	2,366	-
Total Net Pension Asset / Liability		<u>\$ 108,976</u>	<u>\$ 3,146,791</u>

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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

For the year ended December 31, 2014, the City recognized pension expense of \$861,968. At December 31, 2014, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 77	\$ 203,318
Changes in assumptions	-	417,856
Net difference between projected and actual earnings on pension plan investments	82,337	-
Changes in proportion and differences between contributions and proportional share of contributions	-	-
Contributions subsequent to the measurement date	625,855	-
Total	\$ 708,269	\$ 621,174

\$625,855 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2015	\$ (137,503)
2016	(137,503)
2017	(137,503)
2018	(87,542)
2019	(12,405)
Thereafter	(26,306)

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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

Inflation	2.75 Percent
Salary increases	3.50- 10.50 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

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

**Retired Member Mortality**

Class of Member

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**Educators**

Men EDUM (90%)

Women EDUF (100%)

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**Public Safety and Firefighters**

Men RP 2000mWc (100%)

Women EDUF (120%)

---

**Local Government, Public Employees**

Men RP 2000mWC (100%)

Women EDUF (120%)

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

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

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

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

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

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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

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

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

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
<b>Proportionate share of</b>			
Net pension (asset) / liability	\$ 8,095,654	\$ 3,037,815	\$ (1,125,924)

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

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**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, 2015, the City’s OPEB cost (expense) of \$43,418 was \$21,090 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	\$	64,508
Interest on net OPEB obligation		5,192
Adjustments to annual required contribution		(26,282)
Annual OPEB cost (expense)		43,418
Contributions made		(53,266)
Decrease in net OPEB obligation		(9,848)
Net OPEB obligations - beginning of year		115,377
Net OPEB obligations - end of year	\$	105,529

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, 2015 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, 2015	\$ 43,418	53,266	122.7%	\$ 105,529

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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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, 2015 is as follows:

Actuarial valuation date		July 1, 2014
Actuarial accrued liability (AAL)	\$	267,840
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	267,840
Funded ratio (actuarial value of plan assets / AAL)		0.0%
Covered payroll (active plan members)	\$	6,088,543
UAAL as a percentage of covered payroll		4.4%

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, 2015 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 2015 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 funded 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, 2015**

**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, 2015, 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:

	<u>Cedar Downtown</u>	<u>Port 15</u>	<u>GENPAK</u>	<u>Aviation Way</u>
Tax increment collected	\$ -	\$ 196,175	\$ 6,365	\$ 1,345
Interest income	\$ 13,115	\$ -	\$ -	\$ -
Miscellaneous revenues	\$ 423,974	\$ -	\$ -	\$ -
Balance of debt	None	None	None	None
Funds expended:				
Site improvements and maintenance	\$ 165,082	\$ 80,754	\$ -	\$ -
Administrative costs	\$ 12,797	\$ 82,350	\$ -	\$ -
Net transfers in (out)	\$ 8,600	\$ -	\$ -	\$ -

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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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 \$53,555. 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	\$ 51,005
Total closure costs	<u>51,005</u>
Post-closure costs:	
Vegetative cover	<u>2,550</u>
Total post-closure costs	<u>2,550</u>
Total costs	<u>\$ 53,555</u>

To date, Cedar City had not incurred any closure or post-closure care costs but has recorded a liability of \$42,855 towards these costs.

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

Bulloch Pit     80.02 percent

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

Bulloch Pit     3.46 years

**CEDAR CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 16. Restatement Adjustment**

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	Government-wide		Water	Sewer Collection	Sewer Plant	Storm Drain	Solid Waste
	Governmental Activities	Business-type Activities					
Restatement Adjustment - implementation of GASB 68:							
Net pension liability	\$ (3,422,676)	\$ (589,840)	\$ (260,813)	\$ (84,263)	\$ (172,538)	\$ (20,063)	\$ (52,163)
Net pension asset	806	139	61	20	41	5	12
Deferred outflows - contributions subsequent to measurement date	509,688	87,836	38,839	12,548	25,693	2,988	7,768
Total restatement adjustment	<u>\$ (2,912,182)</u>	<u>\$ (501,865)</u>	<u>\$ (221,913)</u>	<u>\$ (71,695)</u>	<u>\$ (146,804)</u>	<u>\$ (17,070)</u>	<u>\$ (44,383)</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CEDAR CITY, UTAH**  
**Schedule of Funding Progress**  
**Retiree Healthcare Insurance Plan**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 12,683,500	\$ 12,683,500	\$ 13,291,895	\$ 608,395
Interest earnings	55,687	55,687	42,304	(13,383)
Licenses and permits	432,500	432,500	651,097	218,597
Intergovernmental revenues	1,770,855	1,860,688	1,829,085	(31,603)
Charges for services	993,146	1,074,746	1,108,155	33,409
Fines and forfeitures	183,500	183,500	157,835	(25,665)
Other revenues	22,705	77,330	66,003	(11,327)
Total revenues	<u>16,141,893</u>	<u>16,367,951</u>	<u>17,146,374</u>	<u>778,423</u>
<b>Expenditures:</b>				
General government				
Administration	971,665	971,665	893,569	78,096
Police protection				
Police	4,153,193	4,271,793	3,961,624	310,169
Other public safety and inspection services				
Fire department	1,153,912	1,216,831	1,150,548	66,283
Protective inspection	182,789	206,289	187,627	18,662
Animal control	184,384	192,529	160,054	32,475
Justice court	474,622	474,622	452,767	21,855
Streets and highways				
Streets and highways	2,472,620	2,521,795	2,398,298	123,497
Parks, cemetery and public property				
City building	125,569	125,569	111,681	13,888
Parks and cemetery	937,986	1,395,082	1,092,042	303,040
Culture and recreation				
Recreation	367,910	375,410	317,348	58,062
Library	545,203	558,087	515,380	42,707
Cross Hollows events center	144,717	163,117	141,800	21,317
Heritage center	481,992	574,480	528,788	45,692
Public works				
City engineer	590,378	590,378	574,145	16,233
Public works administration	219,877	219,877	219,974	(97)
Fleet and warehouse	429,050	429,050	424,442	4,608
Community and economic development				
Community promotions	83,804	83,804	39,329	44,475
Economic development	274,433	321,933	209,494	112,439
Total expenditures	<u>13,794,104</u>	<u>14,692,311</u>	<u>13,378,910</u>	<u>1,313,401</u>
Excess of revenues over (under) expenditures	<u>2,347,789</u>	<u>1,675,640</u>	<u>3,767,464</u>	<u>(2,091,824)</u>
<b>Other financing sources (uses):</b>				
Transfers in	302,200	890,649	266,059	(624,590)
Transfers out	(2,575,989)	(3,281,989)	(3,234,800)	47,189
Total other financing sources (uses)	<u>(2,273,789)</u>	<u>(2,391,340)</u>	<u>(2,968,741)</u>	<u>(577,401)</u>
Net change in fund balance	74,000	(715,700)	798,723	1,514,423
Fund balance, beginning of year	5,294,875	5,294,875	5,294,875	-
Fund balance, end of year	<u>\$ 5,368,875</u>	<u>\$ 4,579,175</u>	<u>\$ 6,093,598</u>	<u>\$ 1,514,423</u>

**CEDAR CITY, UTAH**  
**Schedule of Funding Progress**  
**Retiree Healthcare Insurance Plan**  
**Year Ended June 30, 2015**

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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, 2012	\$ -	\$ 321,469	\$ 321,469	0.0%	\$ 5,715,668	5.6%
July 1, 2013	\$ -	\$ 321,469	\$ 321,469	0.0%	\$ 5,715,668	5.6%
July 1, 2014	\$ -	\$ 267,840	\$ 267,840	0.0%	\$ 6,088,543	4.4%

**CEDAR CITY, UTAH**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Utah Retirement Systems**  
**June 30, 2015**  
**Last 10 Fiscal Years**

	<u>Noncontributory System</u>	<u>Public Safety System</u>	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.4371351%	0.9928954%	1.8205587%	0.0898213%	0.1599562%
Proportionate share of the net pension liability (asset)	\$ 1,898,143	\$ 1,248,648	\$ (103,888)	\$ (2,722)	\$ (2,366)
Covered employee payroll	\$ 3,681,182	\$ 1,489,931	\$ 477,840	\$ 440,758	\$ 66,365
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.6%	83.8%	-21.7%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	90.5%	103.5%	103.5%	120.5%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**CEDAR CITY, UTAH**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Utah Retirement Systems**  
**June 30, 2015**  
**Last 10 Fiscal Years**

	<u>Noncontributory System</u>	<u>Public Safety System</u>	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Contractually required contribution	\$ 687,054	\$ 489,056	\$ 16,230	\$ 37,058	\$ 7,208
Contributions in relation to the contractually required contribution	(687,054)	(489,056)	(16,230)	(37,058)	(7,208)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,681,182	\$ 1,489,931	\$ 477,840	\$ 440,758	\$ 66,365
Contributions as a percentage of covered-employee payroll **	18.66%	32.82%	3.40%	8.41%	10.86%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

**CEDAR CITY, UTAH**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2015**

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**Other information that is not required as part of RSI**

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

**Defined Contribution System**

	<b>Employee Paid Contributions</b>	<b>Employer Paid Contributions</b>
401(k) Plan	\$ 121,057	\$ 55,887
457 Plan	-	-
Roth IRA Plan	15,117	-
Traditional IRA Plan	600	-
HRA Plan	-	-

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

## **COMBINING STATEMENTS**

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2015**

	<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	\$ 397,611	\$ 73,174	\$ 1,243,114	\$ 495,775	\$ 142,204	\$ 171,515
Special assessments receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 397,611</b>	<b>\$ 73,174</b>	<b>\$ 1,243,114</b>	<b>\$ 495,775</b>	<b>\$ 142,204</b>	<b>\$ 171,515</b>
<b>Liabilities:</b>						
Accounts payable	\$ 8,345	\$ 1,126	\$ -	\$ -	\$ -	\$ 47,023
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>8,345</b>	<b>1,126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,023</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	-	-	1,243,114	495,775	-	-
Public safety	-	-	-	-	142,204	-
Other	-	72,048	-	-	-	-
Committed	389,266	-	-	-	-	124,492
Assigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>389,266</b>	<b>72,048</b>	<b>1,243,114</b>	<b>495,775</b>	<b>142,204</b>	<b>124,492</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 397,611</b>	<b>\$ 73,174</b>	<b>\$ 1,243,114</b>	<b>\$ 495,775</b>	<b>\$ 142,204</b>	<b>\$ 171,515</b>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds (Continued)**  
**June 30, 2015**

<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	\$ 209,530	\$ -	\$ 3,342,536	\$ 1,009,989	\$ 62,544	\$ 138,257
Special assessments receivable	-	-	-	-	-	-
Other receivables	11,676	10,637	192,401	94,063	47,070	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 221,206</u>	<u>\$ 10,637</u>	<u>\$ 3,534,937</u>	<u>\$ 1,104,052</u>	<u>\$ 109,614</u>	<u>\$ 138,257</u>
<b>Liabilities:</b>						
Accounts payable	\$ 2,192	\$ 2,759	\$ -	\$ 8,870	\$ -	\$ 52,669
Due to other funds	-	7,878	-	-	-	-
Total liabilities	<u>2,192</u>	<u>10,637</u>	<u>-</u>	<u>8,870</u>	<u>-</u>	<u>52,669</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	-	-	-	1,095,182	109,614	-
Public safety	219,014	-	-	-	-	-
Other	-	-	-	-	-	-
Committed	-	-	3,534,937	-	-	85,588
Assigned	-	-	-	-	-	-
Total fund balances	<u>219,014</u>	<u>-</u>	<u>3,534,937</u>	<u>1,095,182</u>	<u>109,614</u>	<u>85,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 221,206</u>	<u>\$ 10,637</u>	<u>\$ 3,534,937</u>	<u>\$ 1,104,052</u>	<u>\$ 109,614</u>	<u>\$ 138,257</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds (Continued)**  
**June 30, 2015**

	<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	\$ 26,195	\$ 120,102	\$ -	\$ -	\$ 11,790	\$ 1,967	\$ 14,942	\$ 109
Special assessments receivable	-	-	251,399	4,227	39,106	118,056	341,901	-
Other receivables	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	<u>\$ 26,195</u>	<u>\$ 120,102</u>	<u>\$ 251,399</u>	<u>\$ 4,227</u>	<u>\$ 50,896</u>	<u>\$ 120,023</u>	<u>\$ 356,843</u>	<u>\$ 109</u>
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</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	4,227	39,106	118,056	341,901	-
Total liabilities	<u>-</u>	<u>-</u>	<u>251,399</u>	<u>4,227</u>	<u>39,106</u>	<u>118,056</u>	<u>341,901</u>	<u>-</u>
<b>Fund balances:</b>								
Restricted for:								
Capital projects	-	-	-	-	-	-	-	-
Debt service	-	120,102	-	-	11,790	1,967	14,942	109
Community development	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	26,195	-	-	-	-	-	-	-
Total fund balances	<u>26,195</u>	<u>120,102</u>	<u>-</u>	<u>-</u>	<u>11,790</u>	<u>1,967</u>	<u>14,942</u>	<u>109</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,195</u>	<u>\$ 120,102</u>	<u>\$ 251,399</u>	<u>\$ 4,227</u>	<u>\$ 50,896</u>	<u>\$ 120,023</u>	<u>\$ 356,843</u>	<u>\$ 109</u>

(Continued)

**CEDAR CITY, UTAH**  
**Combining Balance Sheet**  
**Other Governmental Funds (Continued)**  
**June 30, 2015**

	<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>Capital Improvement</b>	<b>Ball Diamond Complex</b>	<b>Aquatic Center Capital Project Fund</b>	<b>Aviation Way Capital Project Fund</b>	
<b>Assets:</b>							
Cash and cash equivalents	\$ 360,656	\$ 13,935	\$ 3,172,279	\$ 5,802	\$ 5,977	\$ -	\$ 11,020,003
Special assessments receivable	-	-	-	-	-	-	754,689
Other receivables	-	-	-	-	-	-	355,847
Due from other funds	-	-	259,752	-	-	-	259,752
Total assets	<u>\$ 360,656</u>	<u>\$ 13,935</u>	<u>\$ 3,432,031</u>	<u>\$ 5,802</u>	<u>\$ 5,977</u>	<u>\$ -</u>	<u>\$ 12,390,291</u>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,984
Due to other funds	-	-	-	-	-	-	7,878
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,862</u>
<b>Deferred inflows of resources:</b>							
Unavailable revenue - special assessments	-	-	-	-	-	-	754,689
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>754,689</u>
<b>Fund balances:</b>							
Restricted for:							
Capital projects	-	-	161,250	-	-	-	161,250
Debt service	-	-	-	-	-	-	148,910
Community development	-	-	-	-	-	-	2,943,685
Public safety	-	-	-	-	-	-	361,218
Other	-	-	-	-	-	-	72,048
Committed	-	-	-	-	-	-	4,134,283
Assigned	360,656	13,935	3,270,781	5,802	5,977	-	3,683,346
Total fund balances	<u>360,656</u>	<u>13,935</u>	<u>3,432,031</u>	<u>5,802</u>	<u>5,977</u>	<u>-</u>	<u>11,504,740</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 360,656</u>	<u>\$ 13,935</u>	<u>\$ 3,432,031</u>	<u>\$ 5,802</u>	<u>\$ 5,977</u>	<u>\$ -</u>	<u>\$ 12,390,291</u>

**CEDAR CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds					
	Airport	Downtown Parking	Transportation Impact Fees	Parks/ Recreation Impact Fees	Public Safety Impact Fees	Aquatic Center
<b>Revenues:</b>						
Taxes	\$ 23,419	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	1,756	319	5,625	2,153	688	-
Intergovernmental revenues	49,244	-	-	-	-	130,000
Charges for services	291,552	42,926	-	-	-	485,761
Other revenues	71,354	-	326,364	156,844	77,821	25,950
Total revenues	<u>437,325</u>	<u>43,245</u>	<u>331,989</u>	<u>158,997</u>	<u>78,509</u>	<u>641,711</u>
<b>Expenditures:</b>						
Current						
General government	-	-	-	-	-	-
Police protection	-	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	5,021	-
Streets and highways	-	-	-	-	-	-
Parks, cemetery and public property	-	17,835	-	-	-	-
Culture and recreation	-	-	-	-	-	1,003,215
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Transportation services	312,559	-	-	-	-	-
Capital outlay	24,730	-	93,485	98,050	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>337,289</u>	<u>17,835</u>	<u>93,485</u>	<u>98,050</u>	<u>5,021</u>	<u>1,003,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,036</u>	<u>25,410</u>	<u>238,504</u>	<u>60,947</u>	<u>73,488</u>	<u>(361,504)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	50,136	456,778
Transfers out	(52,632)	(8,600)	-	-	(84,912)	-
Total other financing sources (uses)	<u>(52,632)</u>	<u>(8,600)</u>	<u>-</u>	<u>-</u>	<u>(34,776)</u>	<u>456,778</u>
Net change in fund balance	47,404	16,810	238,504	60,947	38,712	95,274
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 389,266</u>	<u>\$ 72,048</u>	<u>\$ 1,243,114</u>	<u>\$ 495,775</u>	<u>\$ 142,204</u>	<u>\$ 124,492</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, 2015**

	<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 Tas Fund</b>	<b>Golf Course Fund</b>
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 202,392	\$ 484,330	\$ 204,701	\$ 601
Interest earnings	513	-	13,115	5,150	575	-
Intergovernmental revenues	35,370	66,913	-	-	-	5,900
Charges for services	-	27,963	423,974	-	-	611,359
Other revenues	19,273	-	1,494	-	-	-
Total revenues	<u>55,156</u>	<u>94,876</u>	<u>640,975</u>	<u>489,480</u>	<u>205,276</u>	<u>617,860</u>
<b>Expenditures:</b>						
Current						
General government	-	-	-	-	-	-
Police protection	48,225	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	-	-
Streets and highways	-	-	-	-	-	-
Parks, cemetery and public property	-	-	-	-	-	-
Culture and recreation	-	-	-	-	30,000	658,711
Public works	-	-	-	-	-	-
Community and economic development	-	-	216,699	183,491	-	-
Transportation services	-	144,718	-	-	-	-
Capital outlay	-	-	124,284	-	-	30,119
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>48,225</u>	<u>144,718</u>	<u>340,983</u>	<u>183,491</u>	<u>30,000</u>	<u>688,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,931</u>	<u>(49,842)</u>	<u>299,992</u>	<u>305,989</u>	<u>175,276</u>	<u>(70,970)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	49,842	8,600	-	-	117,751
Transfers out	-	-	-	(189,895)	(113,000)	-
Total other financing sources (uses)	<u>-</u>	<u>49,842</u>	<u>8,600</u>	<u>(189,895)</u>	<u>(113,000)</u>	<u>117,751</u>
Net change in fund balance	6,931	-	308,592	116,094	62,276	46,781
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 219,014</u>	<u>\$ -</u>	<u>\$ 3,534,937</u>	<u>\$ 1,095,182</u>	<u>\$ 109,614</u>	<u>\$ 85,588</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, 2015**

	<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>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	194	91	-	-	42	7	40	-
Intergovernmental revenues	81,580	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	5,859	818	14,400	-
Total revenues	<u>81,774</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>5,901</u>	<u>825</u>	<u>14,440</u>	<u>-</u>
<b>Expenditures:</b>								
Current								
General government	-	-	-	-	-	-	-	-
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	-	2,907	-	-	-	-	-	-
Debt service:								
Principal	1,486,278	-	-	-	-	-	-	-
Interest	486,851	-	-	-	-	-	-	-
Total expenditures	<u>1,973,129</u>	<u>2,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,891,355)</u>	<u>(2,816)</u>	<u>-</u>	<u>-</u>	<u>5,901</u>	<u>825</u>	<u>14,440</u>	<u>-</u>
<b>Other financing sources (uses):</b>								
Transfers in	1,894,759	96,584	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,894,759</u>	<u>96,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	3,404	93,768	-	-	5,901	825	14,440	-
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 26,195</u>	<u>\$ 120,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,790</u>	<u>\$ 1,967</u>	<u>\$ 14,942</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, 2015**

	<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>Capital Improvement</b>	<b>Ball Diamond Complex</b>	<b>Aquatic Center Capital Project Fund</b>	<b>Aviation Way Capital Project Fund</b>	
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 915,443
Interest earnings	-	-	15,570	-	-	-	45,838
Intergovernmental revenues	-	-	-	-	-	233,585	602,592
Charges for services	-	-	-	-	-	-	1,883,535
Other revenues	-	-	-	-	-	-	700,177
Total revenues	-	-	15,570	-	-	233,585	4,147,585
<b>Expenditures:</b>							
<b>Current</b>							
General government	-	-	-	-	-	-	-
Police protection	-	-	-	-	-	-	48,225
Other public safety and inspection services	-	-	-	-	-	-	5,021
Streets and highways	-	-	-	-	-	-	-
Parks, cemetery and public property	-	-	-	-	-	-	17,835
Culture and recreation	-	-	-	-	-	-	1,691,926
Public works	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	400,190
Transportation services	-	-	-	-	-	-	457,277
Capital outlay	-	-	-	-	16,835	233,585	623,995
Debt service:							
Principal	-	-	-	-	-	-	1,486,278
Interest	-	-	-	-	-	-	486,851
Total expenditures	-	-	-	-	16,835	233,585	5,217,598
Excess (deficiency) of revenues over (under) expenditures	-	-	15,570	-	(16,835)	-	(1,070,013)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	747,575	-	16,836	-	3,438,861
Transfers out	-	-	(73,713)	-	-	-	(522,752)
Total other financing sources (uses)	-	-	673,862	-	16,836	-	2,916,109
Net change in fund balance	-	-	689,432	-	1	-	1,846,096
Fund balances, beginning of year	360,656	13,935	2,742,599	5,802	5,976	-	9,658,644
Fund balances, end of year	\$ 360,656	\$ 13,935	\$ 3,432,031	\$ 5,802	\$ 5,977	\$ -	\$ 11,504,740

**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 (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 14, 2016.

**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:

2014.001 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*.

We noted certain other matters that we reported to management of the City in a separate letter dated March 14, 2016.

## **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 14, 2016

**Independent Auditors' Report on Compliance for  
Each Major Program and On Internal Control Over  
Compliance Required by OMB Circular A-133 and the  
*Passenger Facility Charge Audit Guide for Public Agencies***

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

**Report on Compliance for Each Major Program and Passenger Facility Charge Program**

We have audited Cedar City, Utah's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on each of Cedar City, Utah's major federal programs and on its passenger facility charge program for the year ended June 30, 2015. Cedar City, Utah's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and on its passenger facility charge program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cedar City, Utah's major federal programs and on passenger facility charge program based on our audit of the types of 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. Those standards, OMB Circular A-133 and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Cedar City, Utah'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 for each major federal program and the passenger facility charge program. However, our audit does not provide a legal determination of Cedar City, Utah's compliance.

### ***Opinion on Each Major Federal Program and Passenger Facility Charge Program***

In our opinion, Cedar City, Utah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and on its passenger facility charge program for the year then ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on major programs and the passenger facility charge program is not modified with respect to these matters.

Cedar City, Utah's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cedar City, Utah'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 Cedar City, Utah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cedar City, Utah's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and passenger facility charge program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the 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 Cedar City, Utah'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 type of compliance requirement of a federal program or a passenger facility charge program 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 type of compliance requirement of a federal program or passenger facility charge program 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 type of compliance requirement of a federal program or passenger facility charge program 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001, that we consider to be a material weakness.

Cedar City, Utah's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cedar City, Utah's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

HintonBurdick, PLLC  
Cedar City, Utah  
March 14, 2016

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**CEDAR CITY, UTAH**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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**Section I – Summary of Auditors’ Results**

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Financial Statements

Type of auditor’s report issued: Unmodified  
Internal control over financial reporting:

- Material weakness (es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  No

**CEDAR CITY, UTAH**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

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See item 2014-001 on page 93.

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**Section III – Federal Award Findings and Questioned Costs**

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No significant matters were noted.

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**Section IV – Passenger Facility Charge Program Findings and Questioned Costs**

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2013-001      Accounting Records and Quarterly Reports of PFC Funds (Additional Program Requirements)

The City is required to maintain a separate accounting record for each PFC application for which the collection and/or use of PFC revenue is approved. The accounting record should identify PFC revenue received from the collecting carriers, interest earned on such revenue, the amounts used on each project, and amounts reserved for approved projects.

The PFC quarterly reports that the City is required to maintain and submit must include the following:

- PFC revenue received from collecting carriers, interest earned and expenditures for the quarter;
- cumulative PFC revenue received, interest earned, expenditures, and the amount committed for use on currently approved projects, including the quarter;
- the PFC level for each project (e.g. \$4.50) as specified in the Record of Decision for that project;
- and the current project schedule.

The City accounts for the PFC activity in its accounting system and maintains and submits the required PFC quarterly reports. However, the City's accounting records and quarterly reports do not meet all of the above requirements. There is some uncertainty among city personnel in how to reconcile from the City's accounting records to the PFC quarterly reports. We noted reconciling items or timing differences between the City's accounting records and quarterly reports for both the revenue and the expenditures.

The City records the PFC revenue in the airport special revenue fund (fund 24) and then subsequently records an interfund transfer to the airport capital projects fund (fund 43) where the PFC-approved project costs are recorded. PFC funds are used as matching share or as supplemental funds to Airport Improvement Program (AIP) funded projects. Due to staff turnover, we were unable to obtain a specific reconciliation between the City's accounting records to the PFC quarterly reports. While it appears that PFC funds were utilized on approved projects, there was some uncertainty as to which specific project costs in the airport capital project fund were applied to the PFC funds.

**CEDAR CITY, UTAH**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2015**

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**Section IV – Passenger Facility Charge Program Findings and Questioned Costs, Continued**

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The City is required to keep any unliquidated PFC funds on deposit in an interest bearing account and interest earned on such PFC revenue may only be used to pay allowable costs of approved PFC-funded projects. We noted that the City is not tracking and allocating interest earnings on unliquidated PFC revenue.

Recommendation

We recommend the City review and update its procedures over the accounting for and reporting on PFC funds to ensure that the City is in compliance with the PFC requirements. The procedures should include a reconciliation between the City's accounting records and quarterly PFC reports. The procedures should include documentation of the specific project costs to which the PFC revenues are applied. If the PFC funds are used as matching share or as supplemental to AIP funded projects, the City should document the total project costs and the applicable funding sources, including the PFC revenues. We recommend the City track and allocate interest earnings on unliquidated PFC revenue in both the accounting records and the quarterly PFC reports.

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**Section V – City's Response – Corrective Action Plan**

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*The City will review and update its procedures over the accounting for and reporting on PFC funds to ensure compliance with the PFC requirements. The procedures will include a reconciliation between the accounting records and the quarterly PFC reports and will document the specific project costs relating to PFC funds. The City will track and allocate interest earnings on unliquidated PFC revenue in both the accounting records and the quarterly PFC reports.*

**CEDAR CITY, UTAH**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Commerce:</b>			
Economic Adjustment Assistance	11.307		825,323
<b>U.S. Department of Justice</b>			
<b>Bureau of Justice Assistance</b>			
Edward Byrne Memorial Justice Assistance	16.738		17,335
<b>U.S. Department of Transportation</b>			
<b>Federal Aviation Administration</b>			
<b>Passed through Utah Department of Transportation:</b>			
Airport Improvement Program	20.106	3-49-0005-28	773,588
Formula Grants for Rural Areas	20.509		66,913
Total U.S. Department of Transportation			840,501
<b>U.S. Department of the Interior:</b>			
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228		14,259
<b>U.S. Department of Homeland Security:</b>			
Assistance to Firefighters Grant	97.044		45,739
<b>U.S. National Endowment for the Humanities:</b>			
Grants to States	45.310		1,500
Total expenditure of federal awards			\$ 1,744,657

**Notes to the Schedule of Federal Awards**

**General:**

The schedule of expenditures of federal awards presents the activity of all federal award programs of Cedar City, Utah (City). The City reporting entity is defined in Note 1 to the City's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule. Of the federal expenditures presented in the schedule, the City provided \$263,449 of federal awards to sub recipients.

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to the City's financial statements.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

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

- **Compliance with General State Compliance Requirements**
- **Internal Control Over Compliance**

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, 2015.

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement System
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Restricted Taxes
- Open and Public Meetings Act
- Cash Management
- Impact Fees
- Government Records Access Management Act (GRAMA)
- Conflicts of Interest
- Nepotism

The City did not have any state funding classified as a major program during the year ended June 30, 2015.

***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, 2015.

### ***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 2014.002, 2015-001, 2015-002, and 2015.03. 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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
St. George, Utah  
March 14, 2016

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**Findings and Recommendations  
For the Year Ended June 30, 2015**

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, 2015 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:**

2014.001      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:

#### 2015.001 Utah Retirement Systems

If an employee takes a leave of absence, notification to the URS is required after ten days of leave. We noted that notification in one instance was not given until after the employee returned to work.

#### Recommendation

We recommend that the City develop procedures to ensure that notification to the URS is provided timely.

#### 2015.002 Open and Public Meetings Act

Per Utah Code, public notice must be given at least 7 days before the public hearing. In addition, notice must be posted at least 24 hours in advance and minutes must be posted within 3 days after being approved on the Utah Public Notice Website. The budget hearing notice was not given at least 7 days before, a work meeting was not posted 24 hours in advance, and minutes were not always posted within 3 days after approval.

#### Recommendation

We recommend that the City develop procedures to ensure proper compliance with Utah Code in regards to the open and public meetings act as needed.

#### 2015.003 Impact Fees

The City is holding impact fees longer than 6 years with no documentation in writing as to the reason and an absolute date by which they will be expended for fire, water, and storm drain.

#### Recommendation

We recommend that the City document in writing the reason for holding impact fees and an absolute date by which they will be expended in accordance with Utah Code 11-36A-602.

#### 2015.004 Grant Accounting

The City requested a grant reimbursement for an invoice that had not been paid or recorded. The invoice was valid but had not been recorded in the accounting system or paid at the time the request for reimbursement was made. In addition, the figures used to request reimbursement from the Federal Government were different from the figures used to request reimbursement from the State which resulted in an overpayment from the State.

Recommendation

We recommend that the City develop control procedures to ensure that grant files are reviewed timely and to ensure that reimbursement requests for cost-reimbursement type grants are made only for invoices that have been processed and paid.

2014.002 Budgetary Compliance

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized budget. The Bond Interest Sinking 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.

2013.001 Accounting Records and Quarterly Reports of PFC Funds (Additional Program Requirements)

The City accounts for Passenger Facility Charge (PFC) activity in its accounting system and maintains and submits the required PFC quarterly reports. However, the City's accounting records and quarterly reports do not meet all of the PFC requirements. There is some uncertainty among city personnel in how to reconcile from the City's accounting records to the PFC quarterly reports. We noted reconciling items or timing differences between the City's accounting records and quarterly reports for both the revenue and the expenditures.

The City records the PFC revenue in the airport special revenue fund (fund 24) and then subsequently records an interfund transfer to the airport capital projects fund (fund 43) where the PFC-approved project costs are recorded. PFC funds are used as matching share or as supplemental funds to Airport Improvement Program (AIP) funded projects. Due to staff turnover, we were unable to obtain a specific reconciliation between the City's accounting records to the PFC quarterly reports. While it appears that PFC funds were utilized on approved projects, there was some uncertainty as to which specific project costs in the airport capital project fund were applied to the PFC funds.

The City is required to keep any unliquidated PFC funds on deposit in an interest bearing account and interest earned on such PFC revenue may only be used to pay allowable costs of approved PFC-funded projects. We noted that the City is not tracking and allocating interest earnings on unliquidated PFC revenue.

Recommendation

We recommend the City review and update its procedures over the accounting for and reporting on PFC funds to ensure that the City is in compliance with the PFC requirements. The procedures should include a reconciliation between the City's accounting records and quarterly PFC reports. The procedures should include documentation of the specific project costs to which the PFC revenues are applied. If the PFC funds are used as matching share or as supplemental to AIP funded projects, the City

should document the total project costs and the applicable funding sources, including the PFC revenues. We recommend the City track and allocate interest earnings on unliquidated PFC revenue in both the accounting records and the quarterly PFC reports..

**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.

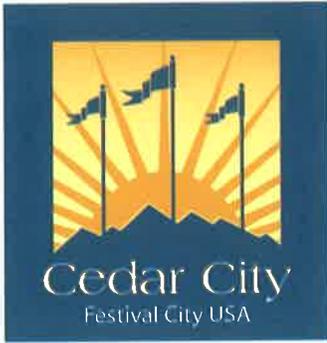
It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us in this year's audit. We invite you to ask questions of us throughout the year and we look forward to a continued professional relationship.

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC

March 14, 2016



# 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  
Paul Cozzens  
Terri W. Hartley  
Craig E. Isom  
Fred C Rowley

## City Manager

Rick Holman

April 4, 2016

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, 2015 fiscal year audit, the City responds as follows to the items in the findings and recommendations letter dated March 14, 2016.

### 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. Including adjustments to staffing and possibly contracting accounting services with a third party.

### Utah Retirement Systems

The payroll staff will adjust procedures to ensure that leave of absence notice is filed timely with the URS.

### Open and Public Meetings Act

The City will develop procedures to meet Utah Public Notice Website requirements and provide minutes within 3 days after approval.

### Impact Fees

The City will document in writing projects which require holding impact fees beyond 6 years and the date by which the funds will be expended.

### Grant Accounting

The City will continue to improve grant control procedures for cost-reimbursement type grants and further train City staff on State and Federal accounting requirements.

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.

Accounting Records and Quarterly Reports of PFC Funds (Additional Program Requirements)

City staff will update PFC accounting procedures to properly reconcile City fund activity with quarterly PFC reports. Procedures will include the tracking of PFC revenues applied to approved projects and grants. Interest earnings will be included in unliquidated PFC revenue reports.

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