

WOODS CROSS CITY CORPORATION

FINANCIAL STATEMENTS

For The Year Ended June 30, 2025

Together With Independent Auditor's Report

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FINANCIAL SECTION



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of Woods Cross City, Utah (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 of Woods Cross City, Utah, as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statement, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements

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

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
November 5, 2025

WOODS CROSS CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2025

As management of Woods Cross City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of Woods Cross City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,421,992 (net position). Of this amount, \$9,417,401 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Woods Cross City's governmental activities reported combined ending net position of \$38,343,655. The unrestricted net position is \$7,607,691.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,861,071 or 31.74% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Woods Cross City's finances, in a manner similar to a private-sector business.

- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- The *statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Woods Cross City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and public works, and parks and recreation. The business-type activities of the City include Water Utility, Garbage Utility, and Storm Drain Fund.

The government-wide financial statements include not only the City itself, but also Woods Cross City Redevelopment Agency (Redevelopment Agency) as a blended component unit. The Redevelopment Agency is a legally separate entity governed by a board appointed by the City Council, consisting of the City Council members. For financial reporting purposes, the Redevelopment Agency is reported as if it was a part of the City's operations because its governing board is the City Council. Therefore, the City Council is financially accountable and has significant influence over the programs, projects, activities, and level of services performed or provided by the Redevelopment Agency.

WOODS CROSS CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2025

Fund financial statements

A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable* resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, RAP Tax Fund, Special Assessment Fund, Capital Projects, and Redevelopment Agency Fund, which are considered to be major funds. Data from the other governmental fund is included in the nonmajor governmental column. Individual fund data for the non-major governmental fund is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its fund types. A budgetary schedule has been provided for the general fund, the RAP Tax Fund, and the Redevelopment Agency Fund to demonstrate compliance with this budget.

- Proprietary funds
Woods Cross City maintains two types of proprietary fund. *Enterprise funds* and an *Internal Service fund*. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water utility, Garbage, and Storm Drain funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. Internal service funds are used to account for fleet operations. Because fleet operations support primarily governmental rather than business-type activities, these funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, Garbage, and Storm Drain Funds, all of which are considered to be major funds of the City. Internal service funds are presented as a single, aggregated presentation in the proprietary fund financial statements. Individual presentations for each of the internal service funds are provided in the form of combining statements in the supplementary information section of this report as listed in the table of contents.

WOODS CROSS CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2025

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,421,992 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 17,234,634	\$ 15,704,607	\$ 3,832,422	\$ 2,963,879	\$ 21,067,056	\$ 18,668,486
Capital assets	37,469,045	37,104,177	22,592,384	23,051,607	60,061,429	60,155,784
Total assets	54,703,679	52,808,784	26,424,806	26,015,486	81,128,485	78,824,270
Total deferred outflows of resources	925,386	1,002,441	151,805	157,078	1,077,191	1,159,519
Long-term liabilities outstanding	11,228,011	11,670,076	4,850,837	5,422,234	16,078,848	17,092,310
Other liabilities	1,687,181	1,743,817	647,013	491,321	2,334,194	2,235,138
Total liabilities	12,915,192	13,413,893	5,497,850	5,913,555	18,413,042	19,327,448
Total deferred inflows of resources	4,370,218	4,304,281	424	1,338	4,370,642	4,305,619
Net position:						
Net investment in capital assets	27,780,347	27,381,435	17,765,384	17,663,365	45,545,731	45,044,800
Restricted	2,955,617	2,674,597	1,503,243	1,500,316	4,458,860	4,174,913
Unrestricted	7,607,691	6,037,019	1,809,710	1,093,990	9,417,401	7,131,009
Total net position	\$ 38,343,655	\$ 36,093,051	\$21,078,337	\$20,257,671	\$ 59,421,992	\$ 56,350,722

An additional portion of Woods Cross City's net position (\$4,458,860) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$9,417,401) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2025**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 725,835	\$ 599,294	\$ 4,235,656	\$ 3,356,104	\$ 4,961,491	\$ 3,955,398
Operating grants and contributions	1,208,610	3,198,916	-	-	1,208,610	3,198,916
Capital grants and contributions	173,580	130,859	122,766	304,316	296,346	435,175
General revenues:						
Property taxes	3,628,370	3,257,179	-	-	3,628,370	3,257,179
Other taxes	5,576,672	5,666,432	-	-	5,576,672	5,666,432
Other	915,797	652,102	144,229	122,742	1,060,026	774,844
Total revenues	12,228,864	13,504,782	4,502,651	3,783,162	16,731,515	17,287,944
Expenses:						
General government	2,097,134	2,275,323	-	-	2,097,134	2,275,323
Public safety	4,163,113	3,864,545	-	-	4,163,113	3,864,545
Highways and public works	2,115,717	1,452,859	-	-	2,115,717	1,452,859
Parks and recreation	1,121,290	1,094,995	-	-	1,121,290	1,094,995
Interest on long-term debt	292,885	310,449	-	-	292,885	310,449
Water	-	-	1,899,352	1,610,258	1,899,352	1,610,258
Solid waste	-	-	1,234,900	1,009,751	1,234,900	1,009,751
Storm drain	-	-	547,733	520,347	547,733	520,347
Total expenses	9,790,139	8,998,171	3,681,985	3,140,356	13,472,124	12,138,527
Increase in net position before transfers	2,438,725	4,506,611	820,666	642,806	3,259,391	5,149,417
Transfers	-	(94,567)	-	94,567	-	-
Increase (Decrease) in net position	2,438,725	4,412,044	820,666	737,373	3,259,391	5,149,417
Net position - beginning of year	36,093,051	31,681,007	20,257,671	19,097,794	56,350,722	50,778,801
Restatement	(188,121)	-	-	422,504	(188,121)	422,504
Net Position, Beginning (as restated)	35,904,930	-	-	19,520,298	35,904,930	51,201,305
Net position - end of year	<u>\$ 38,343,655</u>	<u>\$ 36,093,051</u>	<u>\$21,078,337</u>	<u>\$20,257,671</u>	<u>\$ 59,421,992</u>	<u>\$ 56,350,722</u>

Governmental activities. Woods Cross City's total governmental activities net position increased by \$2,250,604 (6.27%). Key elements are as follows:

- Total revenues decreased by \$1,275,918 (9.45%). The City had a significant decrease in operating grants & contributions.
- Total expenses increased by \$791,968 (8.80%). The increase in expenses was largely due to a increase in spending on highways and public works.
- Beginning net position decreased by \$188,121 due to a prior period adjustment. See Note 19 for more information.

Business-type activities. Business-type activities increased Woods Cross City's net position by \$820,666. As of the end of the current fiscal year, all of the City's business-type funds reported positive net position. Key elements of this increase are as follows:

- Total revenues increased \$719,489 (19.02%) largely due to an increase in charges for services. The City increased storm drain rates by 25% and water rates by 5%.
- Total expenses increased by \$541,629 (17.25%). The increase in expenses was largely due to an increase in Water Fund and Solid Waste Fund expenses.

WOODS CROSS CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2025

Financial Analysis of the Government's Funds

As noted earlier, Woods Cross City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$11,608,890. The unassigned fund balance is \$2,861,071 or 24.65%. Assigned fund balance is \$5,113,219 or 44.05%. The assigned fund balance is assigned to the capital projects fund, and special assessment. The remainder of the fund balance is restricted for a variety of other purposes.

The general fund is the chief operating fund of Woods Cross City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,861,071, while total general fund balance was \$6,343,927. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents 31.74% of total general fund expenditures, while total fund balance represents 70.38% of that amount.

The fund balance of Woods Cross City's general fund increased by \$295,858 during the current fiscal year. Most of the increase is due to an increase in sales tax, licenses and permits and intergovernmental revenue.

Proprietary funds. Woods Cross City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$371,983, for the Solid Waste Utility Fund unrestricted net position amounted to \$105,393, and for the Storm Drain Fund unrestricted net position amounted to \$1,054,896.

General Fund Budgetary Highlights

Revenue differences between the general fund's original budget and the final amended budget was \$435,500. Actual revenues were \$282,019 higher than the final budgeted revenues. Expenditure differences between the original budget and the final amended budget was \$1,439,045. Actual expenditures were \$1,767,393 less than budgeted expenditures. The key factors contributing to these variances are as follows:

- Sales and use revenue was \$241,527 more than budgeted.
- Expenditures in general government were \$645,603 less than budgeted.
- Expenditures in highways and public works were \$714,821 less than budgeted.
- Expenditures in public safety were \$328,249 less than budgeted.
- Expenditures in parks and recreation were \$76,719 less than budgeted.

Capital Assets and Debt Administration

Capital assets. Woods Cross City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$60,061,429 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, park facilities, right-to-use leased assets, and roads. The total decrease in Woods Cross City's investment in capital assets for the current fiscal year was \$94,355

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2025**

(net of depreciation expense). The City has approximately \$142,871 in outstanding construction commitments for road and storm drain repairs and improvements.

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

- 1100 W. 2150 – 2600 S. Waterline Project
- Well #3 Rehabilitation Project
- 1050 S. Waterline Project
- 800 W. – 1500 S. traffic light
- 1100 W. – 500 S. to 1100 S. widening
- 1100 W. – 2150 S. to 2600 S. widening
- 1900 S. Assessment Project

Woods Cross City's Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 12,160,522	\$ 11,719,432	\$ 1,602,677	\$ 1,602,677	\$ 13,763,199	\$ 13,322,109
Construction in progress	632,346	5,147,428	104,714	33,317	737,060	5,180,745
Buildings	7,432,573	7,625,501	-	-	7,432,573	7,625,501
Improvements	5,049,263	5,088,457	20,842,019	21,342,627	25,891,282	26,431,084
Machinery & equipment	2,026,074	1,779,706	42,974	59,990	2,069,048	1,839,696
Infrastructure	10,168,267	5,691,510	-	-	10,168,267	5,691,510
Equipment - Leased	-	52,143	-	12,996	-	65,139
Total	<u>\$ 37,469,045</u>	<u>\$ 37,104,177</u>	<u>\$22,592,384</u>	<u>\$23,051,607</u>	<u>\$ 60,061,429</u>	<u>\$ 60,155,784</u>

Additional information on the City's capital assets can be found in Note 6.

Long-term debt. At the end of the current year, the City had total debt outstanding of \$14,172,449. All of Woods Cross City's bond debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Woods Cross City's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
2014 Series Water Revenue Bonds	\$ -	\$ -	\$ 3,400,000	\$ 3,510,000	\$ 3,400,000	\$ 3,510,000
2016 Series Water Revenue Bonds	-	-	760,000	1,129,000	760,000	1,129,000
2017 Series Sales Tax Revenue Bonds	3,955,000	4,220,000	-	-	3,955,000	4,220,000
Plus: Unamortized Premium	183,449	199,401	-	-	183,449	199,401
2021 Series Sales Tax Revenue Bonds	2,328,000	2,328,000	-	-	2,328,000	2,328,000
2022 Tax Excise Road Revenue Bond	2,879,000	3,194,000	-	-	2,879,000	3,194,000
Water Revenue Bonds Series 2023	-	-	667,000	736,000	667,000	736,000
Total	<u>\$ 9,345,449</u>	<u>\$ 9,941,401</u>	<u>\$ 4,827,000</u>	<u>\$ 5,375,000</u>	<u>\$ 14,172,449</u>	<u>\$ 15,316,401</u>

During the current fiscal year, the City's total debt decreased by \$1,143,952. Additional information on the City's long-term debt can be found in Note 8.

**WOODS CROSS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2025**

Economic Factors and Next Year's Budgets and Rates

- The governing body raised the property tax budgeted revenue by \$94,000 or 10.28% through the Truth in Taxation process.
- The governing body updated its utility rate study again in FY25, and anticipates 5-6% utility rate increases per the study to continue in FY26 to ensure a positive cash flow and fund balance for each utility fund.
- Comparing the first quarter of FY24-25 v. FY25-26, sales tax revenue increased by \$19,836 or 1.7%. During the same quarter, total tax revenues increased by \$54,642 or 3.7%. This is consistent with management's anticipation of modest increases to City tax revenues. The City continues to mitigate this risk by implementing a conservative revenue budget, anticipating these conditions.

Request for Information

This financial report is designed to provide a general overview of Woods Cross City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 1555 South 800 West, Woods Cross, Utah, 84087.

BASIC FINANCIAL STATEMENTS

WOODS CROSS CITY
STATEMENT OF NET POSITION
June 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,867,794	\$ 1,679,596	\$ 9,547,390
Receivables:			
Taxes	3,379,421	-	3,379,421
Accounts - net	117,000	372,145	489,145
Special assessment	2,050,455	-	2,050,455
Internal balances	(277,438)	277,438	-
Restricted assets:			
Cash and cash equivalents	3,894,897	1,503,243	5,398,140
Receivables	188,631	-	188,631
Note receivables	13,874	-	13,874
Capital assets not being depreciated:			
Land	12,160,522	1,602,677	13,763,199
Construction in progress	632,346	104,714	737,060
Capital assets, net of accumulated depreciation:			
Buildings	7,432,573	-	7,432,573
Improvements	5,049,263	20,842,019	25,891,282
Machinery, equipment, and vehicles	2,026,074	42,974	2,069,048
Infrastructure	10,168,267	-	10,168,267
Total Assets	<u>54,703,679</u>	<u>26,424,806</u>	<u>81,128,485</u>
Deferred Outflows of Resources			
Pensions	<u>925,386</u>	<u>151,805</u>	<u>1,077,191</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 55,629,065</u>	<u>\$ 26,576,611</u>	<u>\$ 82,205,676</u>

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

WOODS CROSS CITY
STATEMENT OF NET POSITION (Continued)
June 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable	\$ 239,889	\$ 235,509	\$ 475,398
Accrued liabilities	338,912	31,872	370,784
Payable from restricted assets:			
Accounts payable			
Accrued Interest			
Developer and customer deposits	95,510	265,399	360,909
Noncurrent liabilities:			
Due within one year	1,532,348	581,837	2,114,185
Due in more than one year	9,695,663	4,269,000	13,964,663
Net pension liability	<u>1,012,870</u>	<u>114,233</u>	<u>1,127,103</u>
Total Liabilities	<u>12,915,192</u>	<u>5,497,850</u>	<u>18,413,042</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	2,308,188	-	2,308,188
Deferred revenue - special assessment	2,050,455	-	2,050,455
Pensions	<u>11,575</u>	<u>424</u>	<u>11,999</u>
Total Deferred Inflows of Resources	<u>4,370,218</u>	<u>424</u>	<u>4,370,642</u>
Net Position			
Net investment in capital assets	27,780,347	17,765,384	45,545,731
Restricted for:			
Impact fees	13,290	1,163,329	1,176,619
RAP tax	448,928	-	448,928
Construction	2,293,814	-	2,293,814
Law enforcement	61,131	-	61,131
SLGS Reserve	138,454	-	138,454
Debt Service	-	339,914	339,914
Unrestricted	<u>7,607,691</u>	<u>1,809,710</u>	<u>9,417,401</u>
Total Net Position	<u>38,343,655</u>	<u>21,078,337</u>	<u>59,421,992</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 55,629,065</u>	<u>\$ 26,576,611</u>	<u>\$ 82,205,676</u>

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

WOODS CROSS CITY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Total
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental Activities							
General government	\$ 2,097,134	\$ 506,832	\$ -	\$ 115,000	\$ (1,475,302)	\$ -	\$ (1,475,302)
Public safety	4,163,113	212,036	127,905	-	(3,823,172)	-	(3,823,172)
Highways and public works	2,115,717	-	1,080,705	-	(1,035,012)	-	(1,035,012)
Parks and recreation	1,121,290	6,967	-	58,580	(1,055,743)	-	(1,055,743)
Interest on long-term debt	292,885	-	-	-	(292,885)	-	(292,885)
Total Governmental Activities	9,790,139	725,835	1,208,610	173,580	(7,682,114)	-	(7,682,114)
Business-type Activities							
Water	1,899,352	2,319,087	-	72,481	-	492,216	492,216
Solid waste	1,234,900	1,241,432	-	-	-	6,532	6,532
Storm drain	547,733	675,137	-	50,285	-	177,689	177,689
Total Business-type Activities	3,681,985	4,235,656	-	122,766	-	676,437	676,437
Total Government	\$ 13,472,124	\$ 4,961,491	\$ 1,208,610	\$ 296,346	(7,682,114)	676,437	(7,005,677)
General Revenues							
Property taxes					3,628,370	-	3,628,370
Sales taxes					4,641,527	-	4,641,527
Franchise taxes					935,145	-	935,145
Interest income					453,191	121,714	574,905
Miscellaneous					338,189	22,515	360,704
Gain on sale of capital assets					124,417	-	124,417
Total General Revenues					10,120,839	144,229	10,265,068
Changes in Net Position					2,438,725	820,666	3,259,391
Net Position, Beginning					36,093,051	20,257,671	56,350,722
Restatement					(188,121)	-	(188,121)
Net Position, Beginning (as restated)					35,904,930	-	56,162,601
Net Position, Ending					\$ 38,343,655	\$ 21,078,337	\$ 59,421,992

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

WOODS CROSS CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General	RAP Tax	Redevelopment Agency	Special Assessment	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$2,470,727	\$ 448,928	\$ 1,645,177	\$ 110,388	\$ 2,697,861	\$ -	\$ 7,373,081
Receivables:							
Taxes	3,165,786	100,918	112,717	-	-	-	3,379,421
Accounts - net	2,000	-	115,000	-	-	-	117,000
Special Assessment	-	-	-	2,050,455	-	-	2,050,455
Note Receivable	-	-	13,874	-	-	-	13,874
Restricted assets:							
Cash and cash equivalents	3,294,225	-	-	138,454	-	13,290	3,445,969
Receivables	188,631	-	-	-	-	-	188,631
Total Assets	\$9,121,369	\$ 549,846	\$ 1,886,768	\$ 2,299,297	\$ 2,697,861	\$ 13,290	\$ 16,568,431
Liabilities							
Accounts payable	\$ 225,540	\$ 716	\$ 2,754	\$ 10,812	\$ -	\$ -	\$ 239,822
Accrued liabilities	260,921	-	4,645	-	-	-	265,566
Developer deposits	95,510	-	-	-	-	-	95,510
Total Liabilities	581,971	716	7,399	10,812	-	-	600,898
Deferred Inflows of Resources							
Unavailable revenue - property taxes	2,195,471	-	112,717	-	-	-	2,308,188
Unavailable revenue - special assessment	-	-	-	2,050,455	-	-	2,050,455
Total Deferred Inflows of Resources	2,195,471	-	112,717	2,050,455	-	-	4,358,643
Fund Balances							
Restricted							
Impact fees	-	-	-	-	-	13,290	13,290
SLGS Reserve	-	-	-	138,454	-	-	138,454
Construction	2,293,814	-	-	-	-	-	2,293,814
Law enforcement	61,131	-	-	-	-	-	61,131
Unspent bond proceeds	1,127,911	-	-	-	-	-	1,127,911
Assigned							
Capital projects	-	-	-	-	2,697,861	-	2,697,861
Community development	-	549,130	1,766,652	-	-	-	2,315,782
Special assessment	-	-	-	99,576	-	-	99,576
Unassigned	2,861,071	-	-	-	-	-	2,861,071
Total Fund Balances	6,343,927	549,130	1,766,652	238,030	2,697,861	13,290	11,608,890
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$9,121,369	\$ 549,846	\$ 1,886,768	\$ 2,299,297	\$ 2,697,861	\$ 13,290	\$ 16,568,431

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

WOODS CROSS CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

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

Total fund balance - governmental funds	\$ 11,608,890
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,774,382
The net pension liability resulting from pension liabilities exceeding pension assets is not a current obligation and, therefore, is not reported in the funds.	(1,012,870)
Deferred outflows of resources associated with the net pension liability and asset is not an available resource and, therefore, is not reported in the funds.	925,386
Deferred inflows of resources associated with the net pension liability and asset is not due and the current period and therefore are not recorded in the funds.	(11,575)
Accrued interest is not recorded in the funds.	(55,184)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds.	(9,756,850)
An Internal service fund is used by the City to charge the cost of centralized services to individual funds. The assets and liabilities of the internal service fund is included in the statement of net position, and internal balances eliminated at the government-wide level.	871,476
Net position - governmental activities	<u><u>\$ 38,343,655</u></u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

	General	RAP Tax	Redevelopment Agency	Special Assessment	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 7,812,547	\$ 546,980	\$ 845,515	\$ -	\$ -	\$ -	\$ 9,205,042
Licenses and permits	249,097	-	-	-	-	-	249,097
Intergovernmental	1,206,138	-	115,000	-	-	-	1,321,138
Charges for services	145,814	-	-	140,073	-	-	285,887
Fines and forfeitures	190,851	-	-	-	-	-	190,851
Interest	258,494	30,134	49,206	7,205	83,818	3,118	431,975
Miscellaneous	336,237	-	2,024	-	-	-	338,261
Impact fees	-	-	-	-	-	58,580	58,580
Total Revenues	10,199,178	577,114	1,011,745	147,278	83,818	61,698	12,080,831
Expenditures							
Current:							
General government	1,586,952	-	419,815	-	-	-	2,006,767
Public safety	4,018,279	-	-	-	-	-	4,018,279
Highways and public works	1,356,518	-	198,228	-	-	-	1,554,746
Parks and recreation	963,372	716	-	-	-	-	964,088
Debt service:							
Principal	580,000	-	-	-	-	-	580,000
Interest	224,868	-	-	47,600	-	-	272,468
Capital outlay:							
Highways and public works	232,333	-	-	129,507	441,090	-	802,930
Parks and recreation	51,969	226,611	-	-	-	6,002	284,582
Total Expenditures	9,014,291	227,327	618,043	177,107	441,090	6,002	10,483,860
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,184,887	349,787	393,702	(29,829)	(357,272)	55,696	1,596,971
Other Financing Sources (Uses)							
Capital contributions	2,400	-	-	-	-	-	2,400
Transfer in	-	100,000	-	25,640	1,000,000	-	1,125,640
Transfer out	(1,025,640)	-	-	-	-	(100,000)	(1,125,640)
Sale of capital assets	134,211	-	-	-	-	-	134,211
Total Other Financing Sources (Uses)	(889,029)	100,000	-	25,640	1,000,000	(100,000)	136,611
Net Change in Fund Balances	295,858	449,787	393,702	(4,189)	642,728	(44,304)	1,733,582
Fund Balance, 6/30/2024 as previously presented	6,048,069	99,343	1,372,950	242,219	-	2,112,727	9,875,308
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	2,055,133	(2,055,133)	-
Fund Balance, 6/30/2024 as adjusted	6,048,069	99,343	1,372,950	242,219	2,055,133	57,594	9,875,308
Fund Balance, Ending	\$ 6,343,927	\$ 549,130	\$ 1,766,652	\$ 238,030	\$ 2,697,861	\$ 13,290	\$ 11,608,890

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

WOODS CROSS CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds	\$ 1,733,582
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,056,517)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the Statement of Net Position.	1,087,513
Governmental funds have proceeds from the sale of assets as revenue. However, the Statement of Activities reports the gain or loss on the sale of assets.	(9,795)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amounts is the net effect of these differences in the treatment of long-term debt and related items:	629,038
In the Statement of Activities, accrued interest on debt is recorded.	(18,350)
The Statement of Activities reports the amortization of bond premiums as a reduction of interest expense which is not reported on the fund statements.	15,952
The Statement of Activities reports net pension expense and benefit expense from application of GASB 68 which is not reported in the fund statements.	(219,845)
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the governmental funds.	(102,498)
An Internal service fund is used by the City to charge the cost of centralized services to individual funds. The net expense of internal service funds is reported with governmental activities.	379,645
Change in net position - governmental activities	<u>\$ 2,438,725</u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
Revenues				
Taxes:				
Property	\$ 2,097,259	\$ 2,231,259	\$ 2,235,875	\$ 4,616
Sales and use	4,500,000	4,400,000	4,641,527	241,527
Franchise	950,000	950,000	935,145	(14,855)
Licenses and permits	120,500	226,000	249,097	23,097
Intergovernmental	1,027,000	1,161,000	1,206,138	45,138
Charges for services	62,000	129,000	139,610	10,610
Fines and forfeitures	200,000	235,000	190,851	(44,149)
Interest	206,100	258,100	258,494	394
Miscellaneous	318,800	326,800	342,441	15,641
Total Revenues	<u>9,481,659</u>	<u>9,917,159</u>	<u>10,199,178</u>	<u>282,019</u>
Expenditures				
Current:				
General government:				
Legislative	95,653	104,653	65,478	39,175
Administrative	622,533	636,733	546,518	90,215
Judicial	261,304	269,904	258,753	11,151
Data processing	256,200	288,200	122,206	165,994
Non-departmental	311,500	282,500	143,553	138,947
City hall	147,800	181,200	110,872	70,328
City attorney	114,000	116,000	52,591	63,409
Community development	351,265	350,365	285,514	64,851
Volunteer services	3,000	3,000	1,467	1,533
Total general government	<u>2,163,255</u>	<u>2,232,555</u>	<u>1,586,952</u>	<u>645,603</u>
Public safety:				
Police department	3,392,449	3,367,987	3,066,188	301,799
Liquor law enforcement	8,000	40,000	3,533	36,467
Fire department	838,541	838,541	838,541	-
Building inspection	100,000	100,000	110,017	(10,017)
Total public safety	<u>4,338,990</u>	<u>4,346,528</u>	<u>4,018,279</u>	<u>328,249</u>
Highways and public works:				
Streets department	467,450	633,088	577,076	56,012
City shop	121,187	200,387	115,660	84,727
Road repairs and equipment	1,325,197	1,470,197	896,115	574,082
Total highways and public works	<u>\$ 1,913,834</u>	<u>\$ 2,303,672</u>	<u>\$ 1,588,851</u>	<u>\$ 714,821</u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Continued)
For The Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
Expenditures (continued)				
Current:				
Parks and recreation	\$ 926,560	\$ 1,092,060	\$ 1,015,341	\$ 76,719
Debt Service:				
Principal	580,000	580,000	580,000	-
Interest	226,869	226,869	224,868	2,001
Total Expenditures	<u>9,342,639</u>	<u>10,781,684</u>	<u>9,014,291</u>	<u>1,767,393</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>139,020</u>	<u>(864,525)</u>	<u>1,184,887</u>	<u>2,049,412</u>
Other Financing Sources (Uses)				
Capital contributions	-	-	2,400	2,400
Transfer in	623,087	623,087	-	(623,087)
Transfer out	(348,865)	(1,348,865)	(1,025,640)	323,225
Sale of capital assets	<u>-</u>	<u>95,000</u>	<u>134,211</u>	<u>39,211</u>
Total Other Financing				
Sources (Uses)	<u>274,222</u>	<u>(630,778)</u>	<u>(889,029)</u>	<u>(258,251)</u>
Net Change in Fund Balance	<u>\$ 413,242</u>	<u>\$ (1,495,303)</u>	<u>295,858</u>	<u>\$ 1,791,161</u>
Fund Balance, Beginning			<u>6,048,069</u>	
Fund Balance, Ending			<u>\$ 6,343,927</u>	

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – RAP TAX FUND
For The Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
Revenues				
Taxes	\$ 520,000	\$ 520,000	\$ 546,980	\$ 26,980
Interest	42,000	28,000	30,134	2,134
Total Revenues	<u>562,000</u>	<u>548,000</u>	<u>577,114</u>	<u>29,114</u>
Expenditures				
Current:				
General government:				
Parks and recreation	<u>295,000</u>	<u>246,000</u>	<u>127,327</u>	<u>118,673</u>
Total Expenditures	<u>295,000</u>	<u>246,000</u>	<u>127,327</u>	<u>118,673</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>267,000</u>	<u>302,000</u>	<u>449,787</u>	<u>147,787</u>
Net Change in Fund Balance	<u>\$ 267,000</u>	<u>\$ 302,000</u>	449,787	<u>\$ 147,787</u>
Fund Balance, Beginning			<u>99,343</u>	
Fund Balance, Ending			<u>\$ 549,130</u>	

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL –REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
For The Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
Revenues				
Property taxes	\$ 819,700	\$ 846,000	\$ 845,515	\$ (485)
Intergovernmental	-	-	115,000	115,000
Interest	45,000	45,000	49,206	4,206
Miscellaneous	-	2,000	2,024	24
Total Revenues	<u>864,700</u>	<u>893,000</u>	<u>1,011,745</u>	<u>118,745</u>
Expenditures				
Current:				
General government:				
Community development	<u>728,151</u>	<u>748,000</u>	<u>618,043</u>	<u>129,957</u>
Total Expenditures	<u>728,151</u>	<u>748,000</u>	<u>618,043</u>	<u>129,957</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>136,549</u>	<u>145,000</u>	<u>393,702</u>	<u>248,702</u>
Net Change in Fund Balance	<u>\$ 136,549</u>	<u>\$ 145,000</u>	<u>393,702</u>	<u>\$ 248,702</u>
Fund Balance, Beginning			<u>1,372,950</u>	
Fund Balance, Ending			<u>\$ 1,766,652</u>	

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

WOODS CROSS CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2025

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>	<u>Governmental Activities Internal Service</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 514,781	\$ 172,021	\$ 992,794	\$ 1,679,596	\$ 943,641
Accounts receivable, net	<u>212,566</u>	<u>97,389</u>	<u>62,190</u>	<u>372,145</u>	<u>-</u>
Total Current Assets	<u>727,347</u>	<u>269,410</u>	<u>1,054,984</u>	<u>2,051,741</u>	<u>943,641</u>
Noncurrent Assets					
Restricted assets:					
Cash and cash equivalents	915,483	-	587,760	1,503,243	-
Capital assets:					
Land	1,602,677	-	-	1,602,677	-
Construction on progress	71,397	-	33,317	104,714	-
Improvements	23,597,864	-	9,089,283	32,687,147	-
Office furniture and equipment	10,000	-	-	10,000	-
Machinery, equipment, and vehicles	446,035	-	90,018	536,053	2,246,185
Less accumulated depreciation	<u>(7,840,228)</u>	<u>-</u>	<u>(4,507,979)</u>	<u>(12,348,207)</u>	<u>(551,522)</u>
Total Noncurrent Assets	<u>18,803,228</u>	<u>-</u>	<u>5,292,399</u>	<u>24,095,627</u>	<u>1,694,663</u>
Total Assets	<u>19,530,575</u>	<u>269,410</u>	<u>6,347,383</u>	<u>26,147,368</u>	<u>2,638,304</u>
Deferred Outflows of Resources					
Pensions	<u>101,154</u>	<u>11,237</u>	<u>39,414</u>	<u>151,805</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,631,729</u>	<u>\$ 280,647</u>	<u>\$ 6,386,797</u>	<u>\$ 26,299,173</u>	<u>\$ 2,638,304</u>

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

WOODS CROSS CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)
June 30, 2025

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>	<u>Governmental Activities Internal Service</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 64,908	\$ 165,354	\$ 5,247	\$ 235,509	\$ 67
Compensated absences	23,837	-	-	23,837	-
Accrued liabilities	12,624	1,413	4,486	18,523	-
Accrued interest payable	13,349	-	-	13,349	18,162
Leases payable	-	-	-	-	527,928
Revenue bonds payable	558,000	-	-	558,000	-
Total Current Liabilities	<u>672,718</u>	<u>166,767</u>	<u>9,733</u>	<u>849,218</u>	<u>546,157</u>
Noncurrent Liabilities					
Customer deposits	265,399	-	-	265,399	-
Leases payable	-	-	-	-	943,233
Revenue bonds payable	4,269,000	-	-	4,269,000	-
Net pension liability	76,118	8,456	29,659	114,233	-
Total Noncurrent Liabilities	<u>4,610,517</u>	<u>8,456</u>	<u>29,659</u>	<u>4,648,632</u>	<u>943,233</u>
Total Liabilities	<u>5,283,235</u>	<u>175,223</u>	<u>39,392</u>	<u>5,497,850</u>	<u>1,489,390</u>
Deferred Inflows of Resources					
Pensions	283	31	110	424	-
Total Liabilities and Deferred Inflows of Resources	<u>5,283,518</u>	<u>175,254</u>	<u>39,502</u>	<u>5,498,274</u>	<u>1,489,390</u>
Net Position					
Net investment in capital assets	13,060,745	-	4,704,639	17,765,384	223,502
Restricted for:					
Debt service	208,000	-	-	208,000	-
Replacement	131,914	-	-	131,914	-
Impact fees	575,569	-	587,760	1,163,329	-
Unrestricted	371,983	105,393	1,054,896	1,532,272	925,412
Total Net Position	<u>14,348,211</u>	<u>105,393</u>	<u>6,347,295</u>	<u>20,800,899</u>	<u>1,148,914</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 19,631,729</u>	<u>\$ 280,647</u>	<u>\$ 6,386,797</u>	<u>\$ 26,299,173</u>	<u>\$ 2,638,304</u>

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

WOODS CROSS CITY
RECONCILIATION OF THE STATEMENT OF NET POSITION – PROPRIETARY
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

Total net position for proprietary funds	\$ 20,800,899
Internal Service fund allocation for prior year	137,538
Internal Service fund allocation for current year	<u>139,900</u>
Total business-type net position	<u><u>\$ 21,078,337</u></u>

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

WOODS CROSS CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Water	Solid Waste	Storm Drain	Total Enterprise	Governmental Activities Internal Service
Operating Revenues					
Charges for services:					
Metered water sales	\$ 2,269,377	\$ -	\$ -	\$ 2,269,377	\$ -
Connection and servicing fees	49,710	-	-	49,710	-
User fees	-	1,241,432	675,137	1,916,569	-
Miscellaneous	22,495	-	20	22,515	-
Interfund services provided	-	-	-	-	940,376
Total Operating Revenues	2,341,582	1,241,432	675,157	4,258,171	940,376
Operating Expenses					
Salaries and wages	345,782	42,937	132,706	521,425	-
Employee benefits	187,028	16,578	71,468	275,074	-
Office expense and supplies	12,729	-	1,100	13,829	-
Vehicle expense	-	-	-	-	43,177
Maintenance and repairs	320,033	-	87,000	407,033	-
General and administrative	349,259	63,955	124,172	537,386	-
Utilities	136,781	-	-	136,781	-
Professional services	64,351	2,076	28,088	94,515	-
Water purchases	29,005	-	-	29,005	-
Solid waste collection and disposal	-	1,095,048	-	1,095,048	-
Depreciation	460,197	-	126,603	586,800	325,040
Miscellaneous	51,682	14,306	22,700	88,688	-
Total Operating Expenses	1,956,847	1,234,900	593,837	3,785,584	368,217
Operating Income (Loss)	384,735	6,532	81,320	472,587	572,159
Nonoperating Income (Expense)					
Interest income	52,657	5,359	63,698	121,714	21,216
Interest expense	(49,435)	-	-	(49,435)	(73,829)
Gain (loss) from sale of capital assets	13,134	-	-	13,134	1,807
Total Nonoperating Income (Expense)	16,356	5,359	63,698	85,413	(50,806)
Income (loss) before capital contributions and transfers	401,091	11,891	145,018	558,000	521,353
Capital Contributions and Transfers					
Impact fees	72,481	-	50,285	122,766	-
Change in Net Position	473,572	11,891	195,303	680,766	521,353
Net Position, Beginning	13,874,639	93,502	6,151,992	20,120,133	627,561
Net Position, Ending	\$ 14,348,211	\$ 105,393	\$ 6,347,295	\$ 20,800,899	\$ 1,148,914

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

WOODS CROSS CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PROPRIETARY FUNDS TO THE STATEMENT OF
ACTIVITIES
For The Year Ended June 30, 2025

Total changes in net position of proprietary funds	\$ 680,766
Internal Service fund allocation for current year	<u>139,900</u>
Total changes in business-type net position	<u><u>\$ 820,666</u></u>

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

WOODS CROSS CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Water	Solid Waste	Storm Drain	Total Enterprise	Governmental Activities Internal Service
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 2,325,773	\$ 1,240,329	\$ 663,926	\$ 4,230,028	\$ -
Receipts from interfund services	-	-	-	-	1,076,358
Receipts from customer deposits	4,410	-	-	4,410	-
Payments for interfund services	(177,000)	-	(33,000)	(210,000)	-
Payments to suppliers of goods or services	(754,262)	(1,087,018)	(224,814)	(2,066,094)	(206,673)
Payments to employees and related benefits	(520,708)	(56,254)	(197,165)	(774,127)	-
Net cash flows from operating activities	878,213	97,057	208,947	1,184,217	869,685
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	(100,210)	-	(39,829)	(140,039)	(711,747)
Proceeds from sales of capital assets	12,350	-	-	12,350	22,226
Impact fees received	72,481	-	50,285	122,766	-
Proceeds from issuance of long-term debt	-	-	-	-	703,575
Principal paid on long-term debt	(548,000)	-	-	(548,000)	(582,345)
Interest paid	(52,509)	-	-	(52,509)	(72,900)
Net cash flows from capital and related financing activities	(615,888)	-	10,456	(605,432)	(641,191)
Cash Flows From Investing Activities					
Interest on investments	52,657	5,359	63,699	121,715	21,216
Net cash flows from investing activities	52,657	5,359	63,699	121,715	21,216
Net Increase (Decrease) In Cash and Cash Equivalents	314,982	102,416	283,102	700,500	249,710
Cash and Cash Equivalents, Beginning	1,115,282	69,605	1,297,452	2,482,339	693,931
Cash and Cash Equivalents, Ending	\$ 1,430,264	\$ 172,021	\$ 1,580,554	\$ 3,182,839	\$ 943,641

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

WOODS CROSS CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2025

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>	<u>Governmental Activities Internal Service</u>
Reconciliation of operating income to net cash flows from operating activities					
Earnings (loss) from operations	\$ 384,735	\$ 6,532	\$ 81,320	\$ 472,587	\$ 572,159
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:					
Depreciation	460,197	-	126,603	586,800	325,040
Changes in assets and liabilities					
Accounts receivable, net	(15,809)	(1,103)	(11,231)	(28,143)	135,982
Accounts payable	32,578	88,367	5,246	126,191	(163,496)
Compensated absences	(10,155)	-	-	(10,155)	-
Accrued liabilities	22,257	3,261	7,009	32,527	-
Customer deposits	4,410	-	-	4,410	-
Net cash flows from operating activities	<u>\$ 878,213</u>	<u>\$ 97,057</u>	<u>\$ 208,947</u>	<u>\$ 1,184,217</u>	<u>\$ 869,685</u>

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

WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(A) The Reporting Entity

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

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

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

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's General Fund, Capital Projects Fund, RAP Tax Fund, Special Assessment Fund, Park Development Fund, and the RDA Fund are classified as governmental activities. The City's Water, Solid Waste, and Storm Drain are classified as business-type activities.

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, federal grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. The City has determined that the period of availability for property tax to be 30 and other taxes to be 60 days. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *RAP Tax Fund* accounts for the financial resources to be used for arts and recreation opportunities.

The *Redevelopment Agency Fund* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The *Special Assessment Fund* accounts for the financial resources to be used for the acquisition or construction of capital facilities in an area of the city (other than those financed by Proprietary funds and Special Revenue funds).

The *Capital Projects Fund* accounts for capital projects of the City.

The City reports the following major proprietary funds:

The *Water Utility Fund* accounts for the activities of the water distribution system.

The *Solid Waste Utility Fund* accounts for the activities of the solid waste collection system.

The *Storm Drain Utility Fund* accounts for the activities of the storm drain system.

The City utilizes one internal service fund. The fleet fund accounts for the cost of providing vehicles. Internal service funds are presented as a single, aggregated presentation in the proprietary fund financial statements.

Additionally, the City reports the following fund types:

Special revenue funds account for and report the proceeds of specific revenue sources that are the foundation of the fund and are restricted or committed to expenditure for specified purposes other than debt or capital projects. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the RAP Tax, and Park Development as special revenue funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result, there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

(D) Budgetary Data

Annual budgets are prepared and adopted, in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah, by the City Council on or before June 30 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Funds and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year-end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 35% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the total actual expenditures do not exceed the total expenditures per the adopted budget, in which case a public hearing must be held. With the consent of the city administrator and finance director, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Special Revenue Funds, Special Assessment Fund and Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is not practicable or appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Tax Revenues

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before September 1. All property taxes levied by the City are assessed and collected by Davis County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on the January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from each County on a monthly basis.

Transient room tax, municipal telecommunications tax, additional transit tax, and the RAP (Recreation, Arts, and Parks) tax are collected by the State Tax Commission and remitted to the City monthly.

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

(F) Cash and Cash Equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Investments, in the form of accounts at the Utah Public Treasurer's Investment Trust (the State Treasurer's Pool), of the City are stated at cost, which approximates fair value.

(G) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the City would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balance when expending funds.

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Amortization of capital assets acquired with a capital lease has been included in depreciation expense. Woods Cross City received \$14,722 of contributed capital assets through governmental funds and \$0 contributed capital assets through enterprise funds.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1980) have been valued at estimated historical cost.

WOODS CROSS CITY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	15-60
Infrastructure	20-50
Machinery and Equipment	5-15
Vehicles	5
Office equipment	5

(I) Deferred Outflows of Resources

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

(J) Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Employees may convert a portion of accrued sick leave to pay each year. If an employee retires as a member of the Utah State Retirement System, one-third of unused sick leave will be used to pay medical insurance premiums.

(K) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government reports two items that qualify for reporting in this category: unavailable revenues from property taxes, and deferred inflows of resources relating to pensions. These amounts are recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources relating to pensions are recorded as required by GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

(M) Fund equity

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

- (1) *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) *Restricted net position* – portion of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) *Unrestricted net position* – remaining portion of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

- (1) *Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) *Restricted fund balance* classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) Fund equity (Continued)

- (4) *Assigned fund balance* Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- (5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary Fund equity is classified the same as in the government-wide statements.

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

(N) Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "advances to other funds" or "advances from other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

(O) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

(P) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(P) Pensions (Continued)

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.

(Q) Change in Accounting Principle

During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. This Statement creates a unified model for reporting, as well as amends certain previously required disclosures. As a result of implementing this standard, the City recalculated its compensated absences balance for June 30, 2024 and noted no significant change necessary, therefore, the City has not restated its net position.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Investments are stated at cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as a component of "cash and cash equivalents", "restricted cash and cash equivalents", and "investments", which includes cash accounts that are separately held by several of the City's funds.

The City's deposit and investment policy is to follow the Utah Money Management Act; however, the City does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Components of cash and investments (including interest earning deposits) at June 30, 2025 are as follows:

Cash on hand and on deposit:

Petty cash	\$ 1,300
Cash on deposit	1,179,576
PTIF investment	<u>13,764,654</u>
Total cash and investments	<u><u>\$ 14,945,530</u></u>

**Cash and investments are included in the accompanying
combined statement of net position as follows:**

Cash and cash equivalents	\$ 9,547,390
Restricted cash and cash equivalents	<u>5,398,140</u>
Total cash and investments	<u><u>\$ 14,945,530</u></u>

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2025, the balance of deposit accounts exposed to custodial credit risk because it was uninsured and uncollateralized was \$603,758.

Custodial credit risk – investments is the risk that in the event of the failure of counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risks of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

For the year ended June 30, 2025, the City had investments of \$12,637,404 with the PTIF. This investment matures in less than one year and is not rated.

Fair Value of Investments

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

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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

At June 30, 2025, the City had the following cash and investments:

	<u>Carrying Value</u>	<u>Fair Value Factor</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Avg. Maturity (Years)</u>
Cash on hand and on deposit:					
Cash on hand	\$ 1,300	1	\$ 1,300	N/A	N/A
Cash on deposit	1,179,576	1	1,179,576	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>13,764,654</u>	1.001985	<u>13,791,983</u>	N/A	74.9
Total cash on hand and deposit	<u><u>\$ 14,945,530</u></u>		<u><u>\$ 14,972,859</u></u>		

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

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2025 for all funds is \$5,252.

NOTE 4 NOTES RECEIVABLE

The Redevelopment Agency provided loans to pay for certain improvements. The City has two outstanding promissory notes. The City has established notes receivable for these loans in the RDA Fund. The total notes issued was \$23,765. The total notes balance was \$13,825 as of June 30, 2025. These loans will be paid back over 10 years at a 3% interest rate.

NOTE 5 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2025:

Impact fees	\$ 1,176,619
Rap tax	448,928
Class C	2,105,183
Law enforcement	61,131
SLGS Reserve	138,454
Unspent bond proceeds	1,127,911
Debt service	<u>339,914</u>
Total restricted cash	<u><u>\$ 5,398,140</u></u>
 Class C road/prop one accounts receivable	 <u>\$ 188,631</u>
Total restricted accounts receivable	<u><u>\$ 188,631</u></u>

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	Balance June 30, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,719,432	\$ 441,090	\$ -	\$ -	\$ 12,160,522
Construction in progress	5,147,428	467,469	-	(4,982,551)	632,346
Total capital assets, not being depreciated	16,866,860	908,559	-	(4,982,551)	12,792,868
Capital assets, being depreciated:					
Infrastructure	26,046,475	-	-	4,982,551	31,029,026
Buildings	9,327,567	-	-	-	9,327,567
Improvements other than buildings	7,003,325	161,750	-	-	7,165,075
Machinery and equipment	4,063,458	728,951	(712,278)	-	4,080,131
Right of use - leased asset	192,530	-	(192,530)	-	-
Total capital assets, being depreciated	46,633,355	890,701	(904,808)	4,982,551	51,601,799
Less accumulated depreciation for:					
Infrastructure	(20,354,966)	(505,793)	-	-	(20,860,759)
Buildings	(1,702,066)	(192,928)	-	-	(1,894,994)
Improvements other than buildings	(1,914,868)	(200,944)	-	-	(2,115,812)
Machinery and equipment	(2,283,754)	(429,749)	659,446	-	(2,054,057)
Right of use - leased asset	(140,387)	(52,143)	192,530	-	-
Total accumulated depreciation	(26,396,041)	(1,381,557)	851,976	-	(26,925,622)
Total capital assets, being depreciated, net	20,237,314	(490,856)	(52,832)	4,982,551	24,676,177
Governmental activities capital assets, net	<u>\$ 37,104,174</u>	<u>\$ 417,703</u>	<u>\$ (52,832)</u>	<u>\$ -</u>	<u>\$ 37,469,045</u>

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

Governmental activities	
General government	\$ 133,120
Public safety	334,564
Highways and public works	701,141
Parks and recreation	212,732
Total depreciation expense - governmental activities	<u>\$ 1,381,557</u>

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS (Continued)

The Business-type Activities property, plant and equipment consist of the following at June 30, 2025:

	Balance June 30, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Business-type Activities:					
Capital assets, not being depreciated					
Land	\$ 1,602,677	\$ -	\$ -	\$ -	\$ 1,602,677
Construction in progress	33,317	140,572	-	(69,175)	104,714
Total capital assets, not being depreciated	1,635,994	140,572	-	(69,175)	1,707,391
Capital assets, being depreciated					
Improvements other than buildings	32,617,971	-	-	69,175	32,687,146
Machinery and equipment	572,956	-	(26,902)	-	546,054
Right of use - leased asset	51,987	-	(51,987)	-	-
Total capital assets, being depreciated	33,242,914	-	(78,889)	69,175	33,233,200
Less accumulated depreciation for					
Improvements other than buildings	(11,275,343)	(569,784)	-	-	(11,845,127)
Machinery and equipment	(512,966)	(17,016)	26,902	-	(503,080)
Right of use - leased asset	(38,992)	-	38,992	-	-
Total accumulated depreciation	(11,827,301)	(586,800)	65,894	-	(12,348,207)
Total capital assets, being depreciated, net	21,415,613	(586,800)	(12,995)	69,175	20,884,993
Business-type activities capital assets, net	\$ 23,051,607	\$ (446,228)	\$ (12,995)	\$ -	\$ 22,592,384

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

Business-type activities	
Water	\$ 460,197
Storm drain	126,603
Total depreciation expense - business-type activities	<u>\$ 586,800</u>

NOTE 7 DEFERRED INFLOWS

In conjunction with GASB pronouncement 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” the City has accrued property tax receivable and a deferred inflow in the General Fund and Redevelopment Agency in the amounts of \$2,195,471 and \$112,717, respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 30 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30. Since the property tax levied on October 1, 2025, was not expected to be received within 30 days after the year ended June 30, 2025, the City was required to record receivable and deferred inflow of the estimated amount of the total property tax to be levied on October 1, 2025.

WOODS CROSS CITY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT

The following is summary of long-term debt transactions of the City for the year ended June 30, 2025:

	Long-term debt payable at June 30, 2024	Additions	Deletions	Long-term debt payable at June 30, 2025	Due within One Year
Governmental activities					
2017 Sales tax revenue - direct placement	\$ 4,220,000	\$ -	\$ (265,000)	\$ 3,955,000	\$ 275,000
Plus: unamortized premium	199,401	-	(15,952)	183,449	15,952
2021 Sales tax revenue - direct placement	2,328,000	-	-	2,328,000	95,000
2022 Excise tax road revenue - direct placement	3,194,000	-	(315,000)	2,879,000	325,000
Total bonds payable	9,941,401	-	(595,952)	9,345,449	710,952
Compensated absences*	308,904	102,497	-	411,401	293,468
Lease Liability	49,039	-	(49,039)	-	-
Financed Purchases	1,370,745	703,575	(603,159)	1,471,161	527,928
Pension Liability*	855,488	157,382	-	1,012,870	-
Governmental activity long-term liabilities	<u>\$ 12,525,577</u>	<u>\$ 963,454</u>	<u>\$ (1,248,150)</u>	<u>\$ 12,240,881</u>	<u>\$ 1,532,348</u>
Business-type activities					
2014 Water revenue - direct placement	\$ 3,510,000	\$ -	\$ (110,000)	\$ 3,400,000	\$ 110,000
2016 Water revenue refunding - direct placement	1,129,000	-	(369,000)	760,000	376,000
2023 Water revenue refunding - direct placement	736,000	-	(69,000)	667,000	72,000
Total bonds payable	5,375,000	-	(548,000)	4,827,000	558,000
Compensated absences*	33,992	-	(10,155)	23,837	23,837
Lease Liability	13,241	-	(13,241)	-	-
Pension Liability*	87,902	26,331	-	114,233	-
Business-type activity long-term liabilities	<u>\$ 5,510,136</u>	<u>\$ 26,331</u>	<u>\$ (571,396)</u>	<u>\$ 4,965,071</u>	<u>\$ 581,837</u>

Sales Tax Revenue Bonds, Series 2017

In February 2017, the City issued \$5,810,000 in Sales Tax Revenue Bonds, Series 2017, at a premium of \$319,043. The bonds are due in annual principal installments through June 2037, with interest payments due semiannually. The bonds carry an interest rate between 2 and 4 percent. The bonds were issued for the purpose of financing the acquisition, construction, equipping and furnishing of a public works building complex. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the City may be required to make monthly deposits into the bond fund.

Pledged Revenues

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

The annual debt service requirements to maturity for the Sales Tax Revenue Bonds, Series 2017, as of June 30, 2025, are as follows:

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 275,000	\$ 123,313	\$ 398,313
2027	285,000	113,538	398,538
2028	295,000	104,838	399,838
2029	305,000	95,838	400,838
2030	315,000	86,538	401,538
2031-2035	1,710,000	279,894	1,989,894
2036-2037	770,000	27,125	797,125
	3,955,000	<u>\$ 831,081</u>	<u>\$ 4,786,081</u>
Plus: unamortized premium	<u>183,449</u>		
Total	<u>\$ 4,138,449</u>		

Sales Tax Revenue Bonds, Series 2021

In July 2021, the City issued \$2,715,000 in Sales Tax Revenue Bonds, Series 2021. The bonds are due in annual principal installments through August 2041, with interest payments due semiannually. The bonds carry an interest rate between .7 and 3.2 percent. The bonds were issued for the purpose of financing the construction of the 1960 South Street project. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the City may be required to make monthly deposits into the bond fund.

Pledged Revenues

The City has pledged future sales tax increment revenues to repay \$2,715,000 in sales tax revenue bonds issued in July 2021 to finance the construction of the 1960 South Street project. The bonds are payable solely from the sales tax revenues received by the City.

The annual debt service requirements to maturity for the Sales Tax Revenue Bonds, Series 2021, as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 95,000	\$ 44,625	\$ 139,625
2027	123,000	43,504	166,504
2028	125,000	42,139	167,139
2029	126,000	40,633	166,633
2030	128,000	38,982	166,982
2031-2035	670,000	164,570	834,570
2034-2040	738,000	95,604	833,604
2041-2042	323,000	10,217	333,217
Total	<u>\$ 2,328,000</u>	<u>\$ 480,273</u>	<u>\$ 2,808,273</u>

WOODS CROSS CITY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Excise Tax Road Revenue Bonds, Series 2023

In September 2023, the City issued \$3,500,000 in Excise Tax Road Revenue Bonds, Series 2023. The bonds are due in annual principal installments through September 2032, with interest payments due semiannually. The bonds carry an interest rate of 2.890 percent. The bonds were issued for the purpose of financing a portion of the costs of the acquisition and construction of road improvements, and related improvements. The 2023 Bonds are non-callable. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the City may be required to make monthly deposits into the bond fund.

Pledged Revenues

The 2023 Bonds are special limited obligations of the City, payable solely from, and secured by, a pledge of the revenues pledged therefor in the Indenture. The revenues pledged for the 2023 Bonds consist of Class B & C Road Funds received from the Utah Department of Transportation (UDOT), and Local Option Sales & Use Transportation Tax received from the Utah State Tax Commission by the City pursuant to State law (the "Pledged Taxes"). The City will not mortgage or grant any security interest in any physical assets to secure payment of the 2023 Bonds.

The annual debt service requirements to maturity for the Excise Tax Road Revenue Bonds, Series 2022, as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 325,000	\$ 78,507	\$ 403,507
2027	334,000	68,984	402,984
2028	344,000	59,187	403,187
2029	354,000	49,101	403,101
2030	364,000	38,726	402,726
2031-2033	1,158,000	50,835	1,208,835
Total	<u>\$ 2,879,000</u>	<u>\$ 345,341</u>	<u>\$ 3,224,341</u>

Water Revenue Refunding Bonds, Series 2012

The Water Revenue Refunding Bonds, Series 2012, were issued in December 2012. The \$4,632,000 revenue bonds are due in semiannual installments through March 2027. The bonds carry an interest rate of 2.83 percent. The bonds require no replacement and debt service reserves to be established. The proceeds were used to advance refund the Water Revenue Bonds, Series 2008. The net proceeds, along with \$290,000 from the Series 2008 bonds debt reserve fund, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service on the refunded bonds. As a result, the Water Revenue Bonds, Series 2008 are considered defeased, and the liability for those bonds have been removed from the statement of net position. The City advanced refunded the series 2008 bonds to obtain an economic gain of \$115,070. The bonds were refinanced during the fiscal year 2019 with the issuance of the Water Revenue Refunding Bonds, Series 2016.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2014 A and B

The Water Revenue Refunding Bonds, Series 2014 A and B were issued in February of 2014. The \$1,225,000 A and \$3,275,000 B revenue bonds are due in annual installments through September 2034. The bonds carry an interest rate of 0 percent. The bonds require replacement reserves of 5 percent of the City's annual operating budget, and debt service reserves of \$208,000 to be established evenly over 10 years. An event of default occurs if any installment payment of bond principal is not paid when due and payable, the Issuer shall pay interest at the rate of eighteen percent per annum from said due date until paid.

The annual debt service requirements to maturity, including principal and interest, for the Water Revenue Bonds Series 2014, as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 110,000	\$ -	\$ 110,000
2027	110,000	-	110,000
2028	396,000	-	396,000
2029	397,000	-	397,000
2030	397,000	-	397,000
2031-2035	1,990,000	-	1,990,000
Total	<u>\$ 3,400,000</u>	<u>\$ -</u>	<u>\$ 3,400,000</u>

Water Revenue Refunding Bonds, Series 2016

In July of 2016, the City issued \$3,891,000 in Water Revenue Refunding Bonds, Series 2016. The bonds are due in annual principal installments through September 2026, with interest payments due semiannually. The bonds carry an interest rate 1.75 percent. The bonds were issued to refinance the Water Revenue Refunding Bonds, Series 2012, in a current refunding. The refinance provided a cash savings to the City of \$182,931. The economic gain on this refunding was \$118,711. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the City may be required to make monthly deposits into the bond fund.

The annual debt service requirements to maturity for the Water Revenue Refunding Bonds, Series 2016, as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 376,000	\$ 13,300	\$ 389,300
2027	384,000	6,720	390,720
	<u>\$ 760,000</u>	<u>\$ 20,020</u>	<u>\$ 780,020</u>

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Pledged Revenues

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

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

Water Revenue Refunding Bonds, Series 2023

The Water Revenue Refunding Bonds, Series 2023, were issued in March of 2023. The \$805,000 revenue bonds are due in annual installments through September 2032, with interest due semi-annually. The bonds carry an interest rate of 4.010%. The bonds were issued to purchase water rights and for water infrastructure improvements. The bonds require that the City maintain a coverage ratio of 125%. The bonds are callable anytime at par. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the City may be required to make monthly deposits into the bond fund.

The annual debt service requirements to maturity for the Water Revenue Refunding Bonds, Series 2024, as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 72,000	\$ 25,303	\$ 97,303
2027	75,000	22,356	97,356
2028	78,000	19,288	97,288
2029	81,000	16,100	97,100
2030	85,000	12,772	97,772
2031-2033	276,000	16,922	292,922
	<u>\$ 667,000</u>	<u>\$ 112,741</u>	<u>\$ 779,741</u>

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Leases

The City utilizes leases when deemed appropriate or necessary. Leased assets are included in capital assets.

As of June 30, 2025, the City held the following leased asset balances:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Governmental type activities:				
Leases, being depreciated:				
Machinery and equipment	\$ 192,530	\$ -	\$ (192,530)	\$ -
Total leased assets, being depreciated	192,530	-	(192,530)	-
Less accumulated depreciation for:				
Leased Machinery and equipment	(140,387)	(52,143)	192,530	-
Total accumulated depreciation	(140,387)	(52,143)	192,530	-
Total leases, being depreciated, net	52,143	(52,143)	-	-
Governmental activities leases, net	<u>\$ 52,143</u>	<u>\$ (52,143)</u>	<u>\$ -</u>	<u>\$ -</u>
Business type activities:				
Leases, being depreciated:				
Machinery and equipment	\$ 51,987	\$ -	\$ (51,987)	\$ -
Total leased assets, being depreciated	51,987	-	(51,987)	-
Less accumulated depreciation for:				
Leased Machinery and equipment	(38,991)	(12,996)	51,987	-
Total accumulated depreciation	(38,991)	(12,996)	51,987	-
Total leases, being depreciated, net	12,996	(12,996)	-	-
Business type activities leases, net	<u>\$ 12,996</u>	<u>\$ (12,996)</u>	<u>\$ -</u>	<u>\$ -</u>

Leases payable outstanding as of June 30, 2025, are as follows:

	Purpose	Interest Rate	Amount
Governmental type activities	Police vehicle	4.00%	-
Business type activities	Backhoe	4.00%	-

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Financed Purchases from Direct Borrowings

On March 26, 2024, the City entered into an agreement to finance the purchase of its fleet vehicles for the principal amount of \$1,370,745 from Zions Public Finance. The equipment lease matures on April 15, 2028 with an interest rate of 4.780%. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the vehicles and equipment may be repossessed. The debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 364,155	\$ 29,792	\$ 393,947
2027	272,316	13,955	286,271
2028	131,115	3,021	134,136
2029	-	-	-
Total	<u>\$ 767,586</u>	<u>\$ 46,768</u>	<u>\$ 814,354</u>

Financed Purchases from Direct Borrowings

On March 11, 2025, the City entered into an agreement to finance the purchase of fleet vehicles for the principal amount of \$730,575 from Zions Public Finance. The equipment lease matures on March 11, 2029 with an interest rate of 4.780%. Significant events of default consist of (a) failure to pay principal or interest when due; (b) failure to fulfill all obligations; and (c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the vehicles and equipment may be repossessed. The debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 163,773	\$ 33,631	\$ 197,404
2027	171,601	25,803	197,404
2028	179,804	17,600	197,404
2029	188,398	9,005	197,403
Total	<u>\$ 703,575</u>	<u>\$ 86,039</u>	<u>\$ 789,615</u>

NOTE 9 RISK MANAGEMENT

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

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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Benefits Provided

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

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	COLA**
Noncontributory System	Highest 3 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 Years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year to June 2020 2.00% per year July 2020 to present	Up to 2.5%

*Actuarial reductions are applied.

** 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.

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2025 are as follows:

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

Contribution rates as of June 30, 2025 are as follows:

	Tier 1 - DB System			Tier 2 - DB Hybrid System				Tier 2 - 401(k) Option			
	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)
Noncontributory System 15 Local Government	-	16.97	-	111	0.70	15.19	-	211	-	5.19	10.00
Public Safety System Noncontributory 49 Other Div B 2.5% COLA	-	32.57	-	122	4.73	24.03	-	222	-	10.03	14.00

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

For fiscal year ended June 30, 2025, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 166,533	-
Public Safety System	220,357	-
Tier 2 Public Employees System	88,506	4,079
Tier 2 Public Safety and Firefighter	135,935	26,757
Tier 2 DC Public Employees	4,008	-
Tier 2 DC Public Safety and Firefighter Sy	10,721	-
Total Contributions	\$ 626,060	\$ 30,836

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

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

At June 30, 2025, we reported a net pension asset of \$0 and a net pension liability of \$1,127,102.

(Measurement Date): December 31, 2024

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2023	Change (Decrease)
Noncontributory System	\$ -	\$ 324,661	0.1023805%	0.1071302%	-0.0047497%
Public Safety System	-	705,064	0.9774799%	0.9626250%	0.0148549%
Tier 2 Public Employees System	-	48,864	0.0163840%	0.0131149%	0.0032691%
Tier 2 Public Safety and Firefighter	-	48,514	0.1072631%	0.1064183%	0.0008448%
	\$ -	\$ 1,127,103			

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

The net pension asset and liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2025, we recognized pension expense of \$876,560.

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 446,781	\$ 2,886
Changes in assumptions	94,679	767
Net difference between projected and actual earnings on pension plan investments	201,337	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,195	8,347
Contributions subsequent to the measurement date	316,199	-
	<u>\$ 1,077,191</u>	<u>\$ 11,999</u>

\$316,199 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 407,686
2026	353,364
2027	(71,623)
2028	(5,125)
2029	21,488
Thereafter	43,203
	<u>\$ 748,993</u>

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognized pension expense of \$295,775.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,451	\$ -
Changes in assumptions	26,855	-
Net difference between projected and actual earnings on pension plan investments	97,793	-
Changes in proportion and differences between contributions and proportionate share of contributions	492	360
Contributions subsequent to the measurement date	81,952	-
	<u>\$ 400,544</u>	<u>\$ 360</u>

\$81,952 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 186,099
2026	179,059
2027	(39,681)
2028	(7,246)
2029	-
Thereafter	-
	<u>\$ 318,231</u>

Public Safety System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognized pension expense of \$457,171.

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 202,835	\$ -
Changes in assumptions	24,297	-
Net difference between projected and actual earnings on pension plan investments	97,276	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,583	4,750
Contributions subsequent to the measurement date	110,899	-
	<u>\$ 436,890</u>	<u>\$ 4,750</u>

\$110,899 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 210,304
2026	156,924
2027	(38,996)
2028	(6,992)
2029	-
Thereafter	-
	<u>\$ 321,240</u>

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognized pension expense of \$53,345.

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,124	\$ 337
Changes in assumptions	16,320	5
Net difference between projected and actual earnings on pension plan investments	3,123	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,893	686
Contributions subsequent to the measurement date	47,376	-
	<u>\$ 95,835</u>	<u>\$ 1,028</u>

\$47,376 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 5,611
2026	8,679
2027	3,731
2028	4,599
2029	10,926
Thereafter	<u>13,887</u>
	<u>\$ 47,433</u>

Tier 2 Public Safety and Firefighter Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognized pension expense of \$70,269.

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,371	\$ 2,549
Changes in assumptions	27,207	762
Net difference between projected and actual earnings on pension plan investments	3,145	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,228	2,552
Contributions subsequent to the measurement date	75,972	-
	<u>\$ 143,923</u>	<u>\$ 5,863</u>

\$75,972 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2024	\$ 5,672
2025	8,701
2026	3,323
2027	4,515
2028	10,562
Thereafter	29,316
	<u>\$ 62,089</u>

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.5 – 9.5 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

WOODS CROSS CITY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

The actuarial assumptions used in the January 1, 2023, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	35%	7.01%	2.45%
Debt securities	20%	2.54%	0.51%
Real assets	18%	5.45%	0.98%
Private equity	12%	10.05%	1.21%
Absolute return	15%	4.36%	0.65%
Cash and cash equivalents	0%	0.49%	0.00%
Totals	100%		5.80%
	Inflation		2.50%
	Expected arithmetic nominal return		8.30%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.35% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

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 6.85 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 (5.85 percent) or 1 percentage point higher (7.85 percent) than the current rate:

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLAN (Continued)

System	1% Decrease or 5.85%	Discount Rate of 6.85%	1% Increase or 7.85%
Noncontributory System	\$ 1,373,048	\$ 324,661	\$ (554,597)
Public Safety System	1,923,518	705,064	(292,196)
Tier 2 Public Employees System	145,944	48,864	(26,655)
Tier 2 Public Safety and Firefighter	165,428	48,514	(44,961)
Total	\$ 3,607,939	\$ 1,127,103	\$ (918,410)

Pension Plan Fiduciary Net Position

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

Defined Contribution Savings Plans

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

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

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

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

	2025	2024	2023
<i>401(k) Plan</i>			
Employer Contributions	\$ 123,640	\$ 137,374	\$ 107,393
Employee Contributions	83,304	75,378	58,520
<i>457 Plan</i>			
Employer Contributions	\$ 25,228	\$ 27,481	\$ 29,159
Employee Contributions	46,550	42,911	45,414
<i>Roth IRA Plan</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 25,470	\$ 26,383	\$ 22,714
<i>Traditional IRA</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 6,896	\$ 7,480	\$ 7,831

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 COMMITMENTS AND CONTINGENCIES

The City has approximately \$142,871 in outstanding construction commitments for road and water repairs and improvements.

NOTE 12 FIRE AND EMERGENCY MEDICAL SERVICES

The South Davis Metro Fire Service Area (SDMFSA) is a special service district organized on July 1, 2016. SDMFSA provides fire and emergency medical services to the cities of Bountiful, Centerville, North Salt Lake, West Bountiful, Woods Cross and the unincorporated areas of South Davis County. SDMFSA is governed by its own Board of Trustees made up of elected officials from each participating member entity. SDMFSA does levy taxes and collect impact fees to cover most capital expenditures; however, most of the SDMFSA's operations are funded by quarterly member assessments. For the year ended June 30, 2025, the City paid \$838,541 to SDMFSA for its member assessments and \$31,325 in impact fees.

NOTE 13 REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17C-1-605(1), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2025:

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

<u>Project Area</u>	<u>2025</u>
500 West Project	\$ 367,813
2600 South Project	171,254
Legacy Gateway CDA	<u>306,448</u>
Total increment received	<u>\$ 845,515</u>

The Agency expended amounts in the following areas:

Amounts expended for:	<u>2025</u>
Administrative costs	\$ 228,260
Property acquisitions and site improvements	<u>198,228</u>
Total amounts expended by RDA	<u>\$ 426,488</u>

NOTE 14 CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2025, there is only one series of industrial development bonds issued and outstanding. The original issue amount was \$3,605,000.

WOODS CROSS CITY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 TRANSFERS

During the year transfers were made which will not be repaid. These transfers occurred primarily to finance programs, accounted for in one fund, with resources collected in other funds, in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2025, are as follows:

	<u>In</u>	<u>Out</u>
Governmental:		
General Fund	\$ -	\$ 1,025,640
RAP Tax	100,000	-
Park Development	-	100,000
Special Assessment	25,640	-
Capital Projects	1,000,000	-
Total Governmental Transfers	<u>\$ 1,125,640</u>	<u>\$ 1,125,640</u>

Significant transfers were for the following purposes:

- \$100,000 transfer out of the Park Development Fund into the RAP Tax Fund to repay 50% of the prior year transfer amount, based on positive cash flows into the Park Development Fund during the FY24-25 year.
- \$1,000,000 transfer out of the General Fund into the Capital Projects Fund to move excess unrestricted general fund balance in order to comply with State Law.
- \$348,865 transfer out of the General Fund into various funds for the annual debt payments.

NOTE 16 TAX ABATEMENT

The RDA is authorized by Title 17C of the Utah State Code Annotated to enter into agreements for the purpose of attracting or retaining businesses. In April of 2016 the City entered into an agreement with a developer. The developer is responsible to construct a retail and commercial development on certain real property located within the City. The City is to remit 95% of the 2600 South Tax increment received by the agency to the developer. The City also agrees to remit 17.5% of the 1% local option of the sales tax generated by the commercial development. These payments will be made to the developer for 15 years (April 2031) or until the reimbursement cap of \$2,600,000 has been paid. For the year ended June 30, 2025, the city remitted \$99,915 in sales tax.

NOTE 17 SUBSEQUENT EVENTS

The City completed financing on September 30, 2025 for a \$8.2 million Series 2025 Culinary Water Bond.

WOODS CROSS CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

The City determined that the Capital Project Fund now meets the criteria to be reported as a major fund. In prior years, this fund was reported as a nonmajor governmental fund and included in the aggregated nonmajor funds column.

This change in reporting entity has been applied retrospectively, and prior-period financial statements have been restated to reflect the Capital Projects Fund as a major fund, in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections.

The change had no effect on the total governmental fund balances or net position, only on the presentation of individual fund columns.

	Reporting Units Affected by Restatements of Beginning Balances	
	Funds	
	Capital Projects	Nonmajor Governmental Funds
6/30/2024, as previously reported	\$ -	\$ 2,112,727
Change from nonmajor to major	2,055,133	(2,055,133)
6/30/2024, as restated	<u>\$ 2,055,133</u>	<u>\$ 57,594</u>

NOTE 19 PRIOR PERIOD ADJUSTMENT

The City anticipated receiving a reimbursement from Davis County related to costs expended for a trails project that was completed in fiscal year 2022, however delays in the approval process of the project have resulted in this receivable remaining uncollected. As of June 30, 2024, Management believed the receivable was still fully collectable and anticipates collection in the spring of 2025. As of June 30, 2024, because of this delay the initial revenue that was recognized on this receivable at the fund level was removed from the beginning fund balance and a deferred inflow of resources was recorded. As of June 30, 2025, Management knows this receivable will not be collected and removed the receivable from the governmental activities.

This change in reporting entity has been applied retrospectively, and prior-period financial statements have been restated, in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections.

The change had an effect on the total governmental activities net position..

Governmental Activities

Beginning net position	\$ 36,093,051
Adjustment to remove a receivable that is not collectable	<u>(188,111)</u>
Beginning net position, as restated	<u>\$ 35,904,940</u>

REQUIRED SUPPLEMENTARY INFORMATION

WOODS CROSS CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WOODS CROSS CITY
Measurement Date December 31, 2024
June 30, 2025
Last 10 Fiscal Years*

For the year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered Payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory Retirement System					
2024	0.1023805%	\$ 324,661	\$ 1,185,387	27.39%	96.02%
2023	0.1071302%	248,495	1,214,244	20.47%	96.90%
2022	0.1054525%	180,614	1,100,612	16.41%	97.50%
2021	0.1143884%	(655,115)	1,084,865	-60.39%	108.70%
2020	0.1073582%	55,069	1,011,256	5.45%	99.20%
2019	0.1108774%	417,882	1,041,196	40.13%	93.70%
2018	0.1065160%	784,352	967,623	81.06%	87.00%
2017	0.0896683%	392,864	788,878	49.80%	91.90%
2016	0.0847940%	544,480	746,802	72.91%	87.30%
2015	0.0854994%	483,797	733,807	65.93%	87.80%
Public Safety System					
2024	0.9774799%	\$ 705,064	\$ 695,717	101.34%	91.84%
2023	0.9626250%	629,280	779,364	80.74%	92.09%
2022	1.1098330%	515,712	867,831	59.43%	93.70%
2021	1.2330185%	(441,569)	876,473	-50.38%	105.10%
2020	1.1096297%	398,948	769,492	51.85%	94.50%
2019	1.0200828%	506,573	739,030	68.55%	91.70%
2018	0.953861%	751,639	675,024	111.35%	85.60%
2017	0.8261797%	399,213	602,100	66.30%	90.50%
2016	0.8213653%	511,955	665,432	76.94%	86.10%
2015	0.9095581%	443,820	714,172	62.14%	87.60%
Tier 2 Public Employees Retirement System					
2024	0.0163840%	\$ 48,864	\$ 484,771	10.08%	87.44%
2023	0.0131149%	25,527	339,067	7.53%	89.58%
2022	0.0162129%	17,654	353,596	4.99%	92.30%
2021	0.0153045%	(6,477)	283,270	-2.29%	103.80%
2020	0.0097872%	1,408	156,579	0.90%	98.30%
2019	0.0081280%	1,828	112,840	1.62%	96.50%
2018	0.0000997%	4,270	116,756	3.66%	90.80%
2017	0.0123783%	1,091	121,211	0.90%	97.40%
2016	0.0125804%	1,403	103,169	1.36%	95.10%
2015	0.0120101%	(26)	77,596	-0.03%	100.20%
Tier 2 Public Safety and Firefighters Retirement System					
2024	0.1072631%	\$ 48,514	\$ 489,626	9.91%	90.10%
2023	0.1064183%	40,087	403,224	9.94%	89.10%
2022	0.1433998%	11,963	441,211	2.71%	96.40%
2021	0.1364501%	(6,897)	326,304	-2.11%	102.80%
2020	0.1393873%	12,502	278,711	4.49%	93.10%
2019	0.1432853%	13,478	236,154	5.71%	89.60%
2018	0.00167752	4,203	224,841	1.9%	95.60%
2017	0.2487134%	(2,878)	262,477	-1.10%	103.00%
2016	0.1713381%	(1,487)	141,562	-1.05%	103.60%
2015	0.0687667%	(1,005)	40,915	-2.46%	110.70%

See Notes to Required Supplementary Information

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

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Noncontributory System					
2025	\$ 166,533	\$ 166,533	\$ -	\$ 1,155,264	14.42%
2024	198,586	198,586	-	1,242,823	15.98%
2023	195,913	195,913	-	1,195,613	16.39%
2022	185,453	185,453	-	1,064,138	17.43%
2021	186,352	186,352	-	1,008,946	18.47%
2020	188,072	188,072	-	1,018,257	18.47%
2019	188,722	188,722	-	1,011,559	18.66%
2018	161,977	161,977	-	876,971	18.47%
2017	141,743	141,743	-	767,424	18.47%
2016	136,888	136,888	-	741,337	18.47%
Contributory System					
2025	\$ -	\$ -	\$ -	\$ -	0.00%
2024	-	-	-	-	0.00%
2023	-	-	-	-	0.00%
2022	-	-	-	-	0.00%
2021	-	-	-	-	0.00%
2020	3,048	3,048	-	21,077	14.46%
2019	13,280	13,280	-	91,841	14.46%
2018	12,780	12,780	-	78,705	16.24%
2017	12,231	12,231	-	84,583	14.46%
2016	11,380	11,380	-	74,711	15.23%
Public Safety System					
2025	\$ 220,357	\$ 220,357	\$ -	\$ 676,565	32.57%
2024	209,290	209,290	-	734,181	28.51%
2023	252,413	252,413	-	876,441	28.80%
2022	249,814	249,814	-	859,221	29.07%
2021	234,234	234,234	-	803,278	29.16%
2020	218,031	218,031	-	756,418	28.82%
2019	193,315	193,315	-	706,017	27.38%
2018	160,615	160,615	-	631,597	25.43%
2017	151,587	151,587	-	628,269	24.13%
2016	183,011	183,011	-	705,218	25.95%
Tier 2 Public Employees System*					
2025	\$ 88,506	\$ 88,506	\$ -	\$ 583,993	15.16%
2024	58,750	58,750	-	367,883	15.97%
2023	56,862	56,862	-	355,166	16.01%
2022	55,357	55,357	-	344,476	16.07%
2021	28,493	28,493	-	180,334	15.80%
2020	23,601	23,601	-	150,706	15.66%
2019	15,422	15,422	-	99,238	15.54%
2018	18,781	18,781	-	124,295	15.11%
2017	17,454	17,454	-	117,060	14.91%
2016	12,947	12,947	-	86,826	14.91%

See Notes to Required Supplementary Information

**WOODS CROSS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS (Continued)**

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Tier 2 Public Safety and Firefighter System					
2025	\$ 135,935	\$ 135,935	\$ -	\$ 565,690	24.03%
2024	101,668	101,668	-	428,255	23.74%
2023	103,091	103,091	-	434,250	23.74%
2022	93,402	93,402	-	393,439	23.74%
2021	63,912	63,912	-	269,215	23.74%
2020	56,851	56,851	-	270,207	21.04%
2019	45,785	45,785	-	218,025	21.00%
2018	53,735	53,735	-	262,635	20.46%
2017	40,799	40,799	-	200,094	20.39%
2016	15,711	15,711	-	77,778	20.20%
Tier 2 DC Public Employees System*					
2025	\$ 4,008	\$ 4,008	\$ -	\$ 77,225	5.19%
2024	4,261	4,261	-	68,839	6.19%
2023	3,858	3,858	-	62,326	6.19%
2022	-	-	-	-	0.00%
2021	-	-	-	-	0.00%
Tier 2 Public Safety and Firefighter System (DC Only)					
2025	\$ 10,721	\$ 10,721	\$ -	\$ 106,894	10.03%
2024	14,458	14,458	-	148,438	9.74%
2023	8,925	8,925	-	91,634	9.74%
2022	534	534	-	5,486	9.74%
2021	-	-	-	-	0.00%
2020	-	-	-	-	0.00%
2019	-	-	-	-	0.00%
2018	530	530	-	5,448	9.73%

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

** Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative practices.

WOODS CROSS CITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions

There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

SUPPLEMENTAL INFORMATION

**WOODS CROSS CITY
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS
June 30, 2025**

	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Park Development</u>	
Assets		
Restricted assets:		
Cash and cash equivalents	\$ 13,290	\$ 13,290
Total Assets	<u>13,290</u>	<u>13,290</u>
Fund Balances		
Restricted		
Impact fees	<u>13,290</u>	<u>13,290</u>
Total Fund Balances	<u>13,290</u>	<u>13,290</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 13,290</u></u>	<u><u>\$ 13,290</u></u>

WOODS CROSS CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

	Special Revenue Fund	Formerly Non- major Fund	Total Nonmajor
	Park Development	Capital Projects	Governmental Funds
Revenues			
Interest	\$ 3,118		\$ 3,118
Impact fees	58,580		58,580
Total Revenues	61,698		61,698
Expenditures			
Capital Outlay			
Parks and recreation	6,002		6,002
Total Expenditures	6,002		6,002
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,696		55,696
Other Financing Sources (Uses)			
Transfer out	(100,000)		(100,000)
Total Other Financing Sources (Uses)	(100,000)		(100,000)
Net Change in Fund Balances	(44,304)		(44,304)
Fund Balance, 6/30/2024, as previously presented	57,594	2,055,133	2,112,727
Change within financial reporting entity (nonmajor to major fund)		(2,055,133)	(2,055,133)
Fund Balance, Ending	<u>\$ 13,290</u>	<u>\$ -</u>	<u>\$ 13,290</u>

**WOODS CROSS CITY,
UTAH**

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**WOODS CROSS CITY
SUPPLEMENTARY REPORTS
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CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Woods Cross, Utah (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
November 5, 2025



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

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

Report on Compliance

We have audited Woods Cross City's (the City) compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2025.

State compliance requirements were tested for the year ended June 30, 2025, in the following areas:

Budgetary Compliance	Restricted Taxes
Fund Balance	Government Fees
Justice Court	Fraud Risk Assessment
Impact Fees	Utah Retirement Systems
Crime Insurance for Public Treasurers	

Opinion on Compliance

In our opinion, Woods Cross City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide). Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guide and which is described in the accompanying Schedule of Findings and Recommendations as item 2025-01. Our opinion on compliance is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Recommendations. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On 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 to detect and correct noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above.

However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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 the Guide. Accordingly, this report is not suitable for any other purpose.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
November 5, 2025

**WOODS CROSS CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2025**

STATE COMPLIANCE

2025-01 Justice Court (Significant deficiency)

Condition: During our compliance testing over Woods Cross' Justice Court we noted that the City had not adequately reconciled the court activity to the general ledger on a monthly basis, which resulted in the Court Trust Account liability not being recorded.

Criteria: Per Chapter 1 Section D (2) of the State Compliance Audit Guide issued by the Office of the State Auditor, the auditor is to "Review trust account reconciliations to ensure that they are reconciled monthly."

Cause: In prior years the City mistakenly used the wrong report out of Coris and thought the liability was too small to post, during the audit the error was noted and corrected.

Effect: The City did not report the court trust account liability on the books.

Recommendation: We recommend that the City properly reconcile the court transactions on a monthly basis to the general ledger and ensure that the Court Trust Account liability is recorded on the books.

Management's Response: The City will reconcile court transactions on a monthly basis to the general ledger and ensure that the Court Trust Account liability balance is recorded and updated accurately each month and year.