

CITY OF PROVIDENCE
FINANCIAL STATEMENTS
June 30, 2014

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INDEPENDENT AUDITORS' REPORT

**Honorable Mayor and City Council
City of Providence, Utah**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Providence, Utah (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City's 2013 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified opinions on those audited financial statements in our report dated December 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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 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.

WSRP, LLC

Salt Lake City, Utah
December 30, 2014

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

This document is a narrative overview and analysis of the financial activities of City of Providence (the City) for the fiscal year ended June 30, 2014. The City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the City's activities are classified in the following manner: governmental activities include basic services such as highway and public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water, wastewater, and storm water. The government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Financial Highlights

- The Statement of Net Position presents the financial position of the City at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position.
- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements present in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance. Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds, the general fund and the capital projects fund, are presented in their own columns. A budgetary comparison is presented for the general fund. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2014 and 2013 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Cash and cash equivalents	\$ 3,017,817	\$ 2,476,110	\$ 5,387,900	\$ 4,698,392	\$ 8,405,717	\$ 7,174,502
Other current assets	679,665	722,670	269,039	207,174	948,704	929,844
Non-current assets	<u>4,376,923</u>	<u>4,040,207</u>	<u>8,195,591</u>	<u>8,383,866</u>	<u>12,572,514</u>	<u>12,424,073</u>
TOTAL ASSETS	<u>\$ 8,074,405</u>	<u>\$ 7,238,987</u>	<u>\$ 13,852,530</u>	<u>\$ 13,289,432</u>	<u>\$ 21,926,935</u>	<u>\$ 20,528,419</u>
LIABILITIES						
Current liabilities	\$ 254,730	\$ 566,132	\$ 200,075	\$ 200,426	\$ 454,805	\$ 766,558
Long term liabilities	-	-	714,000	805,000	714,000	805,000
TOTAL LIABILITIES	<u>\$ 254,730</u>	<u>\$ 566,132</u>	<u>\$ 914,075</u>	<u>\$ 1,005,426</u>	<u>\$ 1,168,805</u>	<u>\$ 1,571,558</u>
NET POSITION						
Net investment in capital assets	\$ 4,376,923	\$ 4,040,207	\$ 7,390,591	\$ 7,490,866	\$ 11,767,514	\$ 11,531,073
Restricted	1,566,520	1,418,330	143,623	208,700	1,710,143	1,627,030
Unrestricted	<u>1,876,232</u>	<u>1,214,318</u>	<u>5,404,241</u>	<u>4,584,440</u>	<u>7,280,473</u>	<u>5,798,758</u>
TOTAL NET POSITION	<u>\$ 7,819,675</u>	<u>\$ 6,672,855</u>	<u>\$ 12,938,455</u>	<u>\$ 12,284,006</u>	<u>\$ 20,758,130</u>	<u>\$ 18,956,861</u>

During the year ended June 30, 2014 there were several significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Providence, assets exceed liabilities by \$20,758,130.

By far the largest portion of the City's net position (57%) reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

Governmental Activities (Continued)

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 891,679	\$ 961,566	\$ 2,135,393	\$ 2,057,169	\$ 3,027,072	\$ 3,018,735
Grants and contributions	1,045,808	281,492	-	-	1,045,808	281,492
General revenues						
Taxes	1,917,262	1,826,449	-	-	1,917,262	1,826,449
Interest	30,711	35,035	11,468	10,307	42,179	45,342
Transfers and miscellaneous	46,161	8,198	-	-	46,161	8,198
Total revenues	<u>3,931,621</u>	<u>3,112,740</u>	<u>2,146,861</u>	<u>2,067,476</u>	<u>6,078,482</u>	<u>5,180,216</u>
Expenses						
General government	1,058,238	864,131	-	-	1,058,238	864,131
Public works	332,385	327,121	-	-	332,385	327,121
Highway and public safety	993,830	902,563	-	-	993,830	902,563
Parks and recreation	320,770	286,865	-	-	320,770	286,865
Cemetery	79,578	85,926	-	-	79,578	85,926
Water	-	-	638,778	620,179	638,778	620,179
Wastewater	-	-	792,322	702,782	792,322	702,782
Storm water	-	-	61,312	51,873	61,312	51,873
Total expenses	<u>2,784,801</u>	<u>2,466,606</u>	<u>1,492,412</u>	<u>1,374,834</u>	<u>4,277,213</u>	<u>3,841,440</u>
Change in net position	1,146,820	646,134	654,449	692,642	1,801,269	1,338,776
Beginning net position	<u>6,672,855</u>	<u>6,026,721</u>	<u>12,284,006</u>	<u>11,591,364</u>	<u>18,956,861</u>	<u>17,618,085</u>
Ending net position	<u>\$7,819,675</u>	<u>\$ 6,672,855</u>	<u>\$12,938,455</u>	<u>\$12,284,006</u>	<u>\$ 20,758,130</u>	<u>\$ 18,956,861</u>

- Taxes – The City had revenue increase of \$96,554 in the following: mass transit tax \$92,033; and liquor allotment \$4,521. These taxes are charged by Providence City and collected by the State. The State remits these amounts directly to the County.
- Grants and contributions revenue increased by \$69,600 due to the RAPZ grant received from the County.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

Governmental Activities (Continued)

- During the fiscal year end June 30, 2014, Providence City made the following changes to infrastructure and capital assets:
 - Purchased a 2013 Dodge Ram pick-up truck for \$28,233, improved Main Street at 50 South for a total cost of \$23,441, had engineering designs for the intersection of 400 East and Canyon Road and a pocket park at 400 South Main for a total cost of \$5,310.
 - Purchased and installed a playground at Hampshire Park for \$66,983; completed the South Satsuma project for a total cost of \$38,331; and completed the 100 North Roundabout project for a total cost of \$349,309.
- Providence City has the following infrastructure projects that are in progress:
 - Improvements on the 300 South/1700 South - \$87,716; and improvements on 400 E Canyon Road - \$4,660.

Business-type activities

For the year ended June 30, 2014, the total revenues for business-type activities were \$2,146,861. Program revenues total \$2,135,393. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$11,468 in interest income. The City experienced no significant changes in revenue between fiscal years 2014 and 2013.

Providence City completed waterline upgrades in South Satsuma - \$31,026; installed waterline in 300 South/1700 South project - \$137,531; and began the Edgehill/Baur Waterline project \$22,213.

Budgetary Highlights

During the year, the City Council revised the budget four times to make modifications and to accommodate unexpected expenditures.

The General Fund original budget was amended from \$2,904,200 to \$3,554,300; a change of \$650,100 which is a 22% increase. The increase was largely due to receiving a RAPZ grant from the County and bringing prior years' Class C and impact fee revenues into this budget for capital projects primarily for road and park improvements.

Capital Assets

At June 30, 2014, the City had \$12,572,514 invested in capital assets (net of accumulated depreciation), including land, buildings and systems, improvements, infrastructure (streets, sidewalks, etc.), machinery and equipment. The amount represents a net increase of \$148,441 or 1% increase.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

Capital Assets (Continued)

	Capital Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 730,671	\$ 733,113	\$ 199,384	\$ 199,404	\$ 930,055	\$ 932,517
Construction in process	95,604	508,832	137,270	-	232,874	508,832
Water Stock	-	-	290,394	290,394	290,394	290,394
Improvements	1,459,801	2,448,273	12,734,580	12,697,240	1,683,896	2,690,160
Buildings	806,337	637,053	224,095	241,887	13,540,917	13,334,293
Equipment	923,578	969,993	574,436	562,937	1,498,014	1,532,930
Infrastructure	<u>6,162,738</u>	<u>4,281,617</u>	<u>-</u>	<u>-</u>	<u>6,162,738</u>	<u>4,281,617</u>
Subtotal	10,178,729	9,578,881	14,160,159	13,991,862	24,338,888	23,570,743
Accumulated depreciation	<u>(5,801,806)</u>	<u>(5,538,674)</u>	<u>(5,964,568)</u>	<u>(5,607,996)</u>	<u>(11,766,374)</u>	<u>(11,146,670)</u>
Capital assets, net	<u>\$4,376,923</u>	<u>\$ 4,040,207</u>	<u>\$ 8,195,591</u>	<u>\$ 8,383,866</u>	<u>\$ 12,572,514</u>	<u>\$ 12,424,073</u>

More detailed information of current year changes is listed in the governmental activities section.

Debt Outstanding

At year-end, the City has \$805,000 in revenue bonds versus \$893,000 in the prior year, a decrease of \$88,000. There was a total of \$88,000 of debt retired during the year.

	Balance July 1,			Balance June 30,		Amounts Due Within One Year
	2013	Additions	Reductions	2014	2013	
Business-type activities:						
Series 2001A bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2001C bonds	<u>893,000</u>	<u>-</u>	<u>(88,000)</u>	<u>805,000</u>	<u>91,000</u>	<u>91,000</u>
Total debt	<u>\$ 893,000</u>	<u>\$ -</u>	<u>\$ (88,000)</u>	<u>\$ 805,000</u>	<u>\$ 91,000</u>	<u>\$ 91,000</u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors

Property taxes, sales taxes, franchise and phone taxes make up 49% of the governmental revenue; licenses and permits 2%; intergovernmental (grants and Class C road money) 27%; fines and forfeitures 2%; and charges for services/miscellaneous 20%.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at 15 South Main Providence, Utah 84332.

CITY OF PROVIDENCE
STATEMENT OF NET POSITION
June 30, 2014
With comparative totals for 2013

			Memorandum Totals	
	Governmental Activities	Business-type Activities	2014 Total	2013 Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,443,017	\$ 5,244,277	\$ 6,687,294	\$ 5,557,116
Restricted cash and cash equivalents	1,574,800	143,623	1,718,423	1,617,386
Accounts receivable (net)	104,301	269,039	373,340	340,492
Taxes receivable	531,509	-	531,509	536,799
Restricted taxes receivable	43,724	-	43,724	52,553
Other current assets	131	-	131	-
TOTAL CURRENT ASSETS	3,697,482	5,656,939	9,354,421	8,104,346
NONCURRENT ASSETS				
Capital assets:				
Water shares	-	290,394	290,394	290,394
Construction in progress	95,604	137,270	232,874	508,832
Land	730,671	199,384	930,055	932,517
Improvements other than buildings	1,459,801	12,734,580	14,194,381	15,145,513
Buildings	806,337	224,095	1,030,432	878,940
Machinery and equipment	923,578	574,436	1,498,014	1,532,930
Infrastructure	6,162,738	-	6,162,738	4,281,617
Less accumulated depreciation	(5,801,806)	(5,964,568)	(11,766,374)	(11,146,670)
TOTAL NONCURRENT ASSETS	4,376,923	8,195,591	12,572,514	12,424,073
TOTAL ASSETS	\$ 8,074,405	\$ 13,852,530	\$21,926,935	\$20,528,419
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 131,737	\$ 77,655	\$ 209,392	\$ 558,949
Other accrued liabilities	84,831	31,420	116,251	67,827
Deposits payable	38,162	-	38,162	51,782
Noncurrent liabilities due within one year	-	91,000	91,000	88,000
TOTAL CURRENT LIABILITIES	254,730	200,075	454,805	766,558
NONCURRENT LIABILITES				
	-	714,000	714,000	805,000
TOTAL LIABILITIES	\$ 254,730	\$ 914,075	\$ 1,168,805	\$ 1,571,558
NET POSITION				
Net investment in capital assets	\$ 4,376,923	\$ 7,390,591	\$11,767,514	\$11,531,073
Restricted for				
Roads and city improvements	866,079	-	866,079	-
Perpetual care	218,233	-	218,233	-
Parks and public property	312,198	-	312,198	-
Other purposes (see Note G)	170,010	143,623	313,633	1,627,030
Unrestricted	1,876,232	5,404,241	7,280,473	5,798,758
TOTAL NET POSITION	\$ 7,819,675	\$ 12,938,455	\$20,758,130	\$18,956,861

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

CITY OF PROVIDENCE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014
With comparative totals for 2013

Functions/Programs	Expenses	Program Revenues			Changes in Net Assets		Memorandum Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2014 Total	2013 Total
Governmental activities								
General government	\$ 1,058,238	\$ 198,240	\$ 1,483	\$ -	\$ (858,515)	\$ -	\$ (858,515)	\$ (581,936)
Public works	332,385	56,061	-	-	(276,324)	-	(276,324)	(272,135)
Highways and public safety	993,830	491,429	-	1,044,325	541,924	-	541,924	(138,450)
Parks and recreation	320,770	94,794	-	-	(225,976)	-	(225,976)	(178,596)
Cemetery	79,578	51,155	-	-	(28,423)	-	(28,423)	(52,431)
Total governmental activities	<u>2,784,801</u>	<u>891,679</u>	<u>1,483</u>	<u>1,044,325</u>	<u>(847,314)</u>	<u>-</u>	<u>(847,314)</u>	<u>(1,223,548)</u>
Business-type activities								
Water	638,778	1,150,528	-	-	-	511,750	511,750	508,863
Wastewater	792,322	853,528	-	-	-	61,206	61,206	103,042
Storm water	61,312	131,337	-	-	-	70,025	70,025	70,430
Total business-type activities	<u>1,492,412</u>	<u>2,135,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,981</u>	<u>642,981</u>	<u>682,335</u>
TOTAL GOVERNMENT	<u>\$ 4,277,213</u>	<u>\$ 3,027,072</u>	<u>\$ 1,483</u>	<u>\$ 1,044,325</u>	<u>(847,314)</u>	<u>642,981</u>	<u>(204,333)</u>	<u>(541,213)</u>
		General revenues:						
		Taxes						
			Property		586,011	-	586,011	610,284
			Sales and use		871,332	-	871,332	852,803
			Franchise and phone tax		459,919	-	459,919	363,362
			Interest and investment earnings		30,711	11,468	42,179	45,342
			Miscellaneous		46,161	-	46,161	8,198
			Total general revenues		<u>1,994,134</u>	<u>11,468</u>	<u>2,005,602</u>	<u>1,879,989</u>
			Change in net position		<u>1,146,820</u>	<u>654,449</u>	<u>1,801,269</u>	<u>1,338,776</u>
			Net position - beginning		<u>6,672,855</u>	<u>12,284,006</u>	<u>18,956,861</u>	<u>17,618,085</u>
			Net position - ending		<u>\$ 7,819,675</u>	<u>\$ 12,938,455</u>	<u>\$ 20,758,130</u>	<u>\$ 18,956,861</u>

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

CITY OF PROVIDENCE
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2014
With comparative totals for 2013

	Memorandum Totals			
	General	Capital Projects	Total Governmental Funds 2014	Total Governmental Funds 2013
ASSETS				
Cash and cash equivalents	\$ 1,443,017	\$ -	\$ 1,443,017	\$ 1,067,424
Restricted cash and cash equivalents	1,536,870	37,930	1,574,800	1,408,686
Accounts receivable (net)	104,301	-	104,301	133,318
Taxes receivable	531,509	-	531,509	536,799
Restricted taxes receivable	43,724	-	43,724	52,553
Other current assets	131	-	131	-
TOTAL ASSETS	\$ 3,659,552	\$ 37,930	\$ 3,697,482	\$ 3,198,780
LIABILITIES				
Accounts payable	\$ 130,002	\$ 1,735	\$ 131,737	\$ 461,333
Deposits payable	38,162	-	38,162	51,782
Other accrued liabilities	84,831	-	84,831	53,017
TOTAL LIABILITIES	252,995	1,735	254,730	566,132
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	486,370	-	486,370	487,612
TOTAL DEFERRED INFLOWS OF RESOURCES	486,370	-	486,370	487,612
FUND BALANCES				
Restricted:				
Roads	829,884	-	829,884	748,449
Perpetual care	218,233	-	218,233	201,495
Library	78,555	-	78,555	78,158
Capital project funds	-	36,195	36,195	(371,013)
Impact fees	91,455	-	91,455	94,677
Parks and public property	312,198	-	312,198	295,551
Unassigned	1,389,862	-	1,389,862	1,097,719
TOTAL FUND BALANCES	2,920,187	36,195	2,956,382	2,145,036
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,659,552	\$ 37,930	\$ 3,697,482	\$ 3,198,780

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

CITY OF PROVIDENCE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

	2014
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances-governmental funds	\$ 2,956,382
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	4,376,923
Property tax revenue is recognized in the governmental funds when measureable and "available". Property taxes levied but not available have been recorded as deferred inflows in the funds, but are reported as revenue in the government-wide financial statements.	486,370
Net position of governmental activities	\$ 7,819,675

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

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Year ended June 30, 2014
With comparative totals for 2013

	Memorandum Totals			
	General	Capital Projects	Total Governmental Funds 2014	Total Governmental Funds 2013
REVENUES				
Taxes	\$ 1,918,504	\$ -	\$ 1,918,504	\$ 1,820,197
Licenses and permits	97,799	-	97,799	148,089
Intergovernmental	312,237	732,088	1,044,325	280,752
Charges for services	693,439	-	693,439	680,111
Fines	100,441	-	100,441	133,366
Other revenues	<u>78,352</u>	<u>3</u>	<u>78,355</u>	<u>43,973</u>
TOTAL REVENUES	<u>3,200,772</u>	<u>732,091</u>	<u>3,932,863</u>	<u>3,106,488</u>
EXPENDITURES				
Current operating:				
General government	936,647	-	936,647	738,067
Public works	326,302	-	326,302	326,190
Highway and public improvements	913,212	-	913,212	862,971
Parks and recreation	277,143	-	277,143	246,594
Cemetery	68,365	-	68,365	74,713
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>90,005</u>	<u>509,843</u>	<u>599,848</u>	<u>959,263</u>
TOTAL EXPENDITURES	<u>2,611,674</u>	<u>509,843</u>	<u>3,121,517</u>	<u>3,207,798</u>
Excess (deficiency) of revenues over expenditures	<u>589,098</u>	<u>222,248</u>	<u>811,346</u>	<u>(101,310)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	184,960	184,960	-
Transfers out	<u>(184,960)</u>	<u>-</u>	<u>(184,960)</u>	<u>-</u>
Total other financing sources (uses)	<u>(184,960)</u>	<u>184,960</u>	<u>-</u>	<u>-</u>
Net change in fund balances	404,138	407,208	811,346	(101,310)
Fund balances - beginning	<u>2,516,049</u>	<u>(371,013)</u>	<u>2,145,036</u>	<u>2,246,346</u>
Fund balances - ending	<u>\$ 2,920,187</u>	<u>\$ 36,195</u>	<u>\$ 2,956,382</u>	<u>\$ 2,145,036</u>

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

CITY OF PROVIDENCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

	2014
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances, total governmental funds	\$ 811,346
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>	
Capital outlays	599,848
Depreciation expense	<u>(263,132)</u>
	336,716
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	<u>(1,242)</u>
Change in net position of governmental activities	<u><u>\$ 1,146,820</u></u>

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

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
For the year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Current year property taxes	\$ 590,000	\$ 591,000	\$ 587,253	\$ (3,747)
Sales and use taxes	840,000	860,000	871,332	11,332
Franchise and phone taxes	<u>335,000</u>	<u>364,000</u>	<u>459,919</u>	<u>95,919</u>
	1,765,000	1,815,000	1,918,504	103,504
Licenses and permits:				
Business licenses and permits	86,000	79,500	79,380	(120)
Other licenses and permits	<u>15,500</u>	<u>18,000</u>	<u>18,419</u>	<u>419</u>
	101,500	97,500	97,799	299
Intergovernmental:				
Class "C" road fund allotment	230,000	328,200	234,908	(93,292)
Federal/ state / local funding	10,600	69,600	72,808	3,208
State liquor allotment	<u>-</u>	<u>-</u>	<u>4,521</u>	<u>4,521</u>
	240,600	397,800	312,237	(85,563)
Charges for services:				
Sanitation	487,000	487,000	491,429	4,429
Parks and public property	33,400	31,600	32,399	799
Communication center	55,000	55,000	56,061	1,061
Burial / cemetery lot fees	27,000	53,000	51,155	(1,845)
Impact fees	<u>52,000</u>	<u>329,400</u>	<u>62,395</u>	<u>(267,005)</u>
	654,400	956,000	693,439	(262,561)
Fines and forfeitures				
	102,700	112,800	100,441	(12,359)
Other revenues:				
Interest earnings	20,000	25,000	30,708	5,708
Donations	-	1,400	1,483	83
Miscellaneous revenue	<u>20,000</u>	<u>148,800</u>	<u>46,161</u>	<u>(102,639)</u>
	40,000	175,200	78,352	(96,848)
TOTAL REVENUES	<u><u>\$ 2,904,200</u></u>	<u><u>\$ 3,554,300</u></u>	<u><u>\$ 3,200,772</u></u>	<u><u>\$ (353,528)</u></u>

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

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-GENERAL FUND (CONTINUED)
For the year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
EXPENDITURES:				
General government:				
Administrative	\$ 528,400	\$ 542,900	\$ 612,958	\$ (70,058)
Court	120,300	141,000	121,379	19,621
Community development	189,900	206,900	175,429	31,471
Library	<u>25,000</u>	<u>25,000</u>	<u>26,881</u>	<u>(1,881)</u>
Total general government	863,600	915,800	936,647	(20,847)
Public works:				
Public safety and health	236,000	233,800	227,192	6,608
Public works	<u>104,500</u>	<u>107,100</u>	<u>99,110</u>	<u>7,990</u>
Total public works	340,500	340,900	326,302	14,598
Highway and public improvements:				
Streets and highways	799,400	752,700	508,964	243,736
Sanitation	<u>500,000</u>	<u>503,000</u>	<u>494,253</u>	<u>8,747</u>
Total highway and public improvements	1,299,400	1,255,700	1,003,217	252,483
Parks, recreation, and public property:				
Parks and recreation	318,000	348,100	277,143	70,957
Cemetery	<u>82,700</u>	<u>87,300</u>	<u>68,365</u>	<u>18,935</u>
Total parks, recreation, and public property	<u>400,700</u>	<u>435,400</u>	<u>345,508</u>	<u>89,892</u>
TOTAL EXPENDITURES	2,904,200	2,947,800	2,611,674	336,126
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>(606,500)</u>	<u>(184,960)</u>	<u>421,540</u>
Excess (deficiency) of revenues over expenditures	-	-	404,138	404,138
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>2,516,049</u>	<u>2,516,049</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,920,187</u>	<u>\$ 2,920,187</u>

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

CITY OF PROVIDENCE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Water	Wastewater	Storm Water	2014	2013
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,275,394	\$ 2,601,585	\$ 367,298	\$ 5,244,277	\$ 4,489,692
Restricted cash and cash equivalents	143,623	-	-	143,623	208,700
Accounts receivable (net)	164,032	89,483	15,524	269,039	207,174
TOTAL CURRENT ASSETS	2,583,049	2,691,068	382,822	5,656,939	4,905,566
NONCURRENT ASSETS					
Capital assets:					
Water shares	290,394	-	-	290,394	290,394
Construction in process	137,270	-	-	137,270	-
Land	164,988	34,396	-	199,384	199,404
Buildings	224,095	-	-	224,095	241,887
Improvements other than buildings	6,536,949	6,176,000	21,631	12,734,580	12,697,240
Machinery and equipment	221,836	212,341	140,259	574,436	562,937
Less accumulated depreciation	(2,597,002)	(3,239,946)	(127,620)	(5,964,568)	(5,607,996)
TOTAL NONCURRENT ASSETS	4,978,530	3,182,791	34,270	8,195,591	8,383,866
TOTAL ASSETS	\$ 7,561,579	\$ 5,873,859	\$ 417,092	\$ 13,852,530	\$ 13,289,432
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 28,755	\$ 47,789	\$ 1,111	\$ 77,655	\$ 97,616
Compensated absences	17,103	5,984	4,017	27,104	10,494
Interest payable	4,316	-	-	4,316	4,316
Current portion of long-term obligations	91,000	-	-	91,000	88,000
TOTAL CURRENT LIABILITIES	141,174	53,773	5,128	200,075	200,426
NONCURRENT LIABILITIES					
Long-term obligations, net of current portion	714,000	-	-	714,000	805,000
TOTAL LIABILITIES	\$ 855,174	\$ 53,773	\$ 5,128	\$ 914,075	\$ 1,005,426
NET POSITION					
Net investment in capital assets	\$ 4,173,530	\$ 3,182,791	\$ 34,270	\$ 7,390,591	\$ 7,490,866
Restricted (see Note G)	143,623	-	-	143,623	208,700
Unrestricted	2,389,252	2,637,295	377,694	5,404,241	4,584,440
TOTAL NET POSITION	\$ 6,706,405	\$ 5,820,086	\$ 411,964	\$ 12,938,455	\$ 12,284,006

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

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2014
With comparative totals for 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>	<u>Memorandum Totals</u>	
				<u>2014</u>	<u>2013</u>
OPERATING REVENUES					
Charges for services	\$ 1,081,108	\$ 823,630	\$ 126,355	\$ 2,031,093	\$ 1,994,205
Other operating revenues	25,656	29,898	4,982	60,536	2,007
TOTAL OPERATING REVENUES	<u>1,106,764</u>	<u>853,528</u>	<u>131,337</u>	<u>2,091,629</u>	<u>1,996,212</u>
OPERATING EXPENSES					
Direct operating expenses	179,298	537,342	512	717,152	646,235
Personnel services	154,859	49,465	32,665	236,989	226,275
Other operating expenses	8,358	5,648	6,625	20,631	23,145
Professional services	15,417	6,724	4,302	26,443	23,016
Repairs and maintenance	80,079	17,265	11,385	108,729	75,066
Depreciation	174,870	175,878	5,823	356,571	343,584
Amortization - deferred charge	-	-	-	-	9,538
TOTAL OPERATING EXPENSES	<u>612,881</u>	<u>792,322</u>	<u>61,312</u>	<u>1,466,515</u>	<u>1,346,859</u>
OPERATING INCOME	<u>493,883</u>	<u>61,206</u>	<u>70,025</u>	<u>625,114</u>	<u>649,353</u>
OTHER INCOME (EXPENSE)					
Impact fees	43,764	-	-	43,764	60,957
Interest revenue	9,057	2,411	-	11,468	10,307
Interest expense	(25,897)	-	-	(25,897)	(27,975)
TOTAL OTHER INCOME (EXPENSE)	<u>26,924</u>	<u>2,411</u>	<u>-</u>	<u>29,335</u>	<u>43,289</u>
CHANGE IN NET POSITION	<u>520,807</u>	<u>63,617</u>	<u>70,025</u>	<u>654,449</u>	<u>692,642</u>
Net position - beginning	<u>6,185,598</u>	<u>5,756,469</u>	<u>341,939</u>	<u>12,284,006</u>	<u>11,591,364</u>
Net position - ending	<u>\$ 6,706,405</u>	<u>\$ 5,820,086</u>	<u>\$ 411,964</u>	<u>\$ 12,938,455</u>	<u>\$ 12,284,006</u>

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

CITY OF PROVIDENCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2014
With comparative totals for 2013

	Water	Waste water	Storm Water	Memorandum Totals	
				2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,052,261	\$ 849,372	\$ 128,131	\$ 2,029,764	\$ 2,018,259
Cash paid to suppliers	(316,932)	(534,711)	(41,272)	(892,915)	(733,555)
Cash paid to employees	(144,315)	(46,104)	(29,960)	(220,379)	(227,176)
Net cash provided by operating activities	591,014	268,557	56,899	916,470	1,057,528
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	-	878
Net cash flows provided by noncapital financing activities	-	-	-	-	878
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(168,297)	-	-	(168,297)	(282,615)
Principal payments - bonds	(88,000)	-	-	(88,000)	(274,000)
Interest paid	(25,897)	-	-	(25,897)	(33,091)
Impact fees collected	43,764	-	-	43,764	60,957
Net cash used by capital and related financing activities	(238,430)	-	-	(238,430)	(528,749)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	9,057	2,411	-	11,468	10,307
Net cash provided by investing activities	9,057	2,411	-	11,468	10,307
Net increase in cash	361,641	270,968	56,899	689,508	539,964
Cash and cash equivalents - July 1	2,057,376	2,330,617	310,399	4,698,392	4,158,428
Cash and cash equivalents - June 30	\$ 2,419,017	\$ 2,601,585	\$ 367,298	\$ 5,387,900	\$ 4,698,392
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 493,883	\$ 61,206	\$ 70,025	\$ 625,114	\$ 649,353
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	174,870	175,878	5,823	356,571	343,584
Amortization	-	-	-	-	9,538
Changes in assets and liabilities:					
Accounts receivable	(54,503)	(4,156)	(3,206)	(61,865)	22,047
Accounts payable	(33,780)	32,268	(18,448)	(19,960)	33,907
Compensated absences	10,544	3,361	2,705	16,610	(901)
Net cash provided by operating activities	\$ 591,014	\$ 268,557	\$ 56,899	\$ 916,470	\$ 1,057,528

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

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City operates under a six-member Council form of municipal government and provides the following services as authorized by its charter: public safety (police and fire), public utilities (water, wastewater, storm water, and sanitation), highways and streets, social services, culture-recreation, public improvements, planning and zoning, economic development, and general administrative services.

The City's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). The city does not have any component units.

B. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Position - The statement of net position and the statement of activities display information about the City as a whole. The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements present in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The City has two categories of funds: governmental and proprietary. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following describes the major governmental funds of the City:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

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

The following is a description of the proprietary funds of the City:

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the water fund, wastewater fund, and storm water fund.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting (Continued)

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

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

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (Continued)

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Deferred Inflows/Outflows of Resources

A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period. Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

6. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (Continued)

6. Capital Assets (Continued)

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Utility system improvements	40 - 50
Buildings	20 - 30
Machinery and equipment	5 - 10
Improvements other than buildings	20
Roads and infrastructure	15

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

7. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensated time benefits. Vacation pay and compensated time are accrued when incurred and are reported in other accrued liabilities in the governmental funds balance sheet since they must be used by the end of the following fiscal year.

8. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (Continued)

9. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

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

It is the City’s policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Fund Statements

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

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The 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.

Amounts that are restricted to specific purposes are reported as restricted fund balance. Fund balance is reported as restricted when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (Continued)

9. Equity Classifications (Continued)

Fund Statements (continued)

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority (the City Council) are reported as committed fund balance. The City had no committed fund balances at June 30, 2014.

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The City had no assigned fund balances at June 30, 2014.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

10. Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

11. Property Tax

Property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

12. Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary activities.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Subsequent Events

Management of the City has evaluated subsequent events through December 30, 2014, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Annual budgets are prepared and adopted in accordance with the “Uniform Fiscal Procedures Act for Utah Cities” by the City of Providence City Council on or before the first scheduled council meeting in May for the following fiscal year, which begins on July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

Budgets may be increased by resolution of the City Council at any time during the year. To change the budget a public hearing is required, but the City may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budget Information (Continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. Fund Equity Restrictions

Restricted for Roads - Reserve required to be kept that accounts for the unspent proceeds of class "C" road funds.

Restricted for Perpetual Care - The City owns and operates a cemetery. The money received from the sale of cemetery spaces is deposited into an interest bearing account for the purpose of capital improvements and maintenance of the cemetery.

Restricted for Library - Amounts generated in the library fund are restricted to be spent to promote updating books and resources, and building improvements for the City library.

Restricted for Capital Projects - The City Council approves resolutions through the budget for providing for funds to be set aside for capital projects for the City.

Restricted for Impact Fees - The City Council passed an ordinance providing for specific impact fees on all new construction. Impact fees include fees for roads, parks, and water. These fees are to be restricted for current and future costs to help defray a portion of the costs that naturally result from increased development.

Restricted for Parks and Public Property - Amounts generated for parks and public property are restricted to be spent on park improvements and additions if needed in the City.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of City funds in a "qualified depository".

The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, \$2,392,205 of the City's bank balances of \$2,984,765 was uninsured and uncollateralized.

Investments

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (Continued)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized 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 based upon the participant’s average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares. As of June 30, 2014, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to maturity categorizations:		
Utah Public Treasurer's Investment Fund	\$ 5,499,649	\$ 5,529,931

The GASB Fair Value factor at June 30, 2014 was 1.00550620.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

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

Concentration of credit risk – 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 policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City’s investment in the Utah Public Treasurer’s Investment Fund has no concentration of credit risk.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (Continued)

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The City’s investment in the Utah Public Treasurer’s Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2014, are as follows:

Cash on hand and on deposit:	
Cash on deposit (per books)	\$ 2,875,786
PTIF investment	<u>5,529,931</u>
Total cash and cash equivalents	<u><u>\$ 8,405,717</u></u>
Cash and cash equivalents per the statement of net assets	
Unrestricted	\$ 6,687,294
Restricted	<u>1,718,423</u>
Total cash and cash equivalents	<u><u>\$ 8,405,717</u></u>

B. Accounts Receivable

Accounts receivable for the City at June 30, 2014, are as follows:

	General	Capital Projects Funds	Total
Governmental activities:			
Receivables:			
Accounts	\$ 104,301	\$ -	\$ 104,301
Taxes	531,509	-	531,509
Restricted taxes	<u>43,724</u>	<u>-</u>	<u>43,724</u>
Net total receivables	<u><u>\$ 679,534</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 679,534</u></u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

B. Accounts Receivable (Continued)

Accounts receivable for the City's business-type activities at June 30, 2014 are as follows:

	Water	Wastewater	Storm Water	Total
Business-type activities:				
Receivables:				
Accounts	\$ 164,032	\$ 89,483	\$ 15,524	\$ 269,039

Management deems all accounts to be materially collectible and thus does not have an allowance for doubtful accounts.

C. Restricted Assets

The total restricted assets on the balance sheet are comprised of the following cash and cash equivalents and receivables.

General fund:

Accounts receivable - Class C road	\$ 43,724
Cash - perpetual care	218,233
Cash - park impact fees	312,198
Cash - Class C road	836,429
Cash - road impact fees	76,589
Cash - restricted donation	1,889
Cash - veterans memorial donations	12,977
Cash - capital projects	37,930
Cash - library donations	78,555
Total general fund	1,618,524

Enterprise funds:

Water fund:

Cash - revenue bond sinking/reserve	114,396
Cash - impact fees	29,227
Total water fund	143,623
Total restricted assets	\$ 1,762,147

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Capital Assets

Beginning balances of capital asset accounts for both governmental and business-type activities were reclassified during the year to conform to the new account structure of the new accounting system. There was no net effect on the beginning total net capital assets balances. A summary of changes in capital assets for the governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 730,671	\$ -	\$ -	\$ 730,671
Construction in progress	<u>508,833</u>	<u>481,191</u>	<u>(894,420)</u>	<u>95,604</u>
Total capital assets not being depreciated	1,239,504	481,191	(894,420)	826,275
Capital assets, being depreciated				
Improvements other than buildings	1,392,818	66,983	-	1,459,801
Buildings	806,337	-	-	806,337
Machinery and equipment	895,345	28,233	-	923,578
Infrastructure	<u>5,244,877</u>	<u>23,441</u>	<u>894,420</u>	<u>6,162,738</u>
Total capital assets being depreciated	8,339,377	118,657	894,420	9,352,454
Less accumulated depreciation	<u>(5,538,674)</u>	<u>(263,132)</u>	<u>-</u>	<u>(5,801,806)</u>
Total capital assets being depreciated, net	<u>2,800,703</u>	<u>(144,475)</u>	<u>894,420</u>	<u>3,550,648</u>
Total capital assets, net	<u>\$ 4,040,207</u>	<u>\$ 336,716</u>	<u>\$ -</u>	<u>\$ 4,376,923</u>

Depreciation expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

General government	\$ 121,591
Public works	6,083
Highways and public safety	80,618
Parks and recreation	43,627
Cemetery	<u>11,213</u>
Total depreciation expense	<u>\$ 263,132</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Capital Assets (Continued)

A summary of changes in capital assets for the business activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 199,384	\$ -	\$ -	\$ 199,384
Construction in progress	-	137,270		137,270
Water Stock	<u>290,394</u>	<u>-</u>	<u>-</u>	<u>290,394</u>
Total capital assets not being depreciated	489,778	137,270	-	627,048
Capital assets, being depreciated				
Buildings	224,095	-	-	224,095
Improvements other than buildings	12,703,554	31,026	-	12,734,580
Machinery and equipment	<u>574,436</u>	<u>-</u>	<u>-</u>	<u>574,436</u>
Total capital assets being depreciated	13,502,085	31,026	-	13,533,111
Less accumulated depreciation	<u>(5,607,997)</u>	<u>(356,571)</u>	<u>-</u>	<u>(5,964,568)</u>
Total capital assets being depreciated, net	<u>7,894,088</u>	<u>(325,545)</u>	<u>-</u>	<u>7,568,543</u>
Net book value	<u>\$ 8,383,866</u>	<u>\$ (188,275)</u>	<u>\$ -</u>	<u>\$ 8,195,591</u>

Depreciation expense was charged to funds as follows:

Business-Type Activities:	
Water fund	\$ 174,870
Wastewater fund	175,878
Storm water	<u>5,823</u>
Total depreciation expense	<u>\$ 356,571</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

E. Deposits Payable

Deposits payable consisted of the following at June 30, 2014:

Bond deposits	\$	3,327
Utility deposits		17,085
Digging deposits		2,250
Power deposits		<u>15,500</u>
Total deposits payable	\$	<u><u>38,162</u></u>

F. Long-Term Liabilities

Water Revenue Bond, Series 2001C. The government issued a series 2001 bond to provide funds for improvements and construction of water projects. Interest and principal are paid on May 1st of each year. The bonds mature on May 1, 2022. The interest rate is 2.90%:

Water Revenue Bonds 2001C			
2.90%			
Year ended			
June 30,	Principal	Interest	Total
2015	\$ 91,000	\$ 23,345	\$ 114,345
2016	93,000	20,706	113,706
2017	96,000	18,009	114,009
2018	99,000	15,225	114,225
2019	102,000	12,354	114,354
2020 - 2022	<u>324,000</u>	<u>18,966</u>	<u>342,966</u>
Totals	<u><u>\$ 805,000</u></u>	<u><u>\$ 108,605</u></u>	<u><u>\$ 913,605</u></u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

F. Long-Term Liabilities (Continued)

The interest expense for the Water Revenue bonds of \$25,897 has been charged as a direct expense to the Public Works Department in the Statement of Activities.

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the business activities:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Series 2001C Water Bonds	\$ 893,000	\$ -	\$ (88,000)	\$ 805,000	\$ 91,000
Total Debt	<u>\$ 893,000</u>	<u>\$ -</u>	<u>\$ (88,000)</u>	<u>\$ 805,000</u>	<u>\$ 91,000</u>

G. Restricted Fund Equity

The amounts reported on the balance sheet identified as restricted fund balance and on the proprietary funds statement of net position as restricted components of net position are comprised of the following:

General fund:		
Restricted - road	\$ 829,884	
Restricted - perpetual care	218,233	
Restricted - library donations	78,555	
Restricted - impact fees	91,455	
Restricted - park and public property	312,198	
Total general fund		\$1,530,325
Capital project fund:		
Restricted - city shop		36,195
Enterprise fund:		
Water fund (net assets):		
Restricted - sinking/reserve	114,396	
Restricted - impact fees	29,227	
Total water fund	<u>143,623</u>	
Total enterprise funds		<u>143,623</u>
Total restricted fund equity		<u>\$ 1,710,143</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

IV. OTHER INFORMATION

A. Retirement System

Plan Description - The City of Providence contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - At the present time, Providence City only has Tier 1 employees; Tier 1 employees are not required to contribute to the Retirement System. The City is required to contribute 17.29% of the employee's annual salary from July 1, 2013 – June 30, 2014. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The contributions by the City of Providence to the Local Government Noncontributory Retirement System for the years ended June 30, 2014, 2013 and 2012 were \$87,434, \$86,768 and \$98,300, respectively. The contributions were equal to the required contributions for each pay period and were paid by the due dates or within 30 days thereafter.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

IV. OTHER INFORMATION (CONTINUED)

A. Retirement System (Continued)

The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to the City of Providence.

The City also sponsors defined contribution retirement plans provided to all City employees under Internal Revenue Code 401(k), 457, and Roth IRA which are administered by the Utah Retirement Systems. Participants are fully vested. These plans are elective deferral plans. The City does not make contributions on behalf of the employees. All city employees may contribute minimum and maximum amounts in accordance with IRS rules for each plan. The participants' contributions for the years ended June 30, 2014, 2013 and 2012 were \$11,160, \$7,333 and \$2,730, respectively.

B. Insurance and bond coverage

Providence City has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Issuer</u>	<u>Policy #</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust (ULGT)	13080-GL2011	\$5,000,000	7/1/2015
Buildings	ULGT	ULGT-APDP-2010	7,292,500	7/1/2015
Contents	ULGT	ULGT-APDP-2010	1,141,700	7/1/2015
Equipment	ULGT	ULGT-APDP-2010	338,048	7/1/2015
Automobile	ULGT	ULGT-APDP-2010	26 vehicles	7/1/2015
Bonds:				
City Treasurer/City Recorder	CAN Surety	70011063	600,000	9/15/2015

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Risk Management – Claims and Judgments

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.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

E. Other assets

Water fund:

The City owns water shares in two irrigation companies and rights through the State of Utah and carries amounts in the water fund at the cost of such certificates as purchased since July 1, 1980. Water shares purchased since 1980 and capitalized in the water fund total \$155,394; water rights acquired in 2008 and capitalized in the water fund total \$135,000, for a combined total of \$290,394 at June 30, 2014. Certificates held prior to that date have never been recorded as follows:

	Shares Acquired Prior to 1980	Shares at June 30, 2014
Spring Creek Water Company	74.00	213.83
Providence Blacksmith Fork Irrigation	135.25	417.75
Total	209.25	631.58

Therefore, the water fund has an unrecognized value associated with the water shares of the irrigation companies.

F. Memorandum totals

Total columns on the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

IV. OTHER INFORMATION (CONTINUED)

G. Segment information

Net working capital for the water, wastewater, and storm water utility funds is calculated as follows:

	<u>Water fund</u>	<u>Wastewater</u>	<u>Storm Water</u>
Current assets:			
Cash	\$ 2,419,017	\$ 2,601,585	\$ 367,298
Receivables	164,032	89,483	15,524
Less current liabilities:			
Accounts payable	(28,755)	(47,789)	(1,111)
Compensated absences	(17,103)	(5,984)	(4,017)
Interest payable	(4,316)	-	-
Current portion of long-term debt	<u>(91,000)</u>	<u>-</u>	<u>-</u>
Net working capital	<u>\$ 2,441,875</u>	<u>\$ 2,637,295</u>	<u>\$ 377,694</u>

INDEPENDENT AUDITORS' 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 City Council
City of Providence, Utah**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Utah (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WSRP, LLC

Salt Lake City, Utah
December 30, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS, INTERNAL CONTROL OVER COMPLIANCE, AND SCHEDULE OF EXPENDITURES OF STATE AWARDS IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE*

**Honorable Mayor and City Council
City of Providence, Utah**

Report on Compliance with General State Compliance Requirements and for Each Major State Program

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

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

Budgetary Compliance	Transfers from Utility Enterprise Funds
Fund Balance	Conflicts of Interest
Justice Courts	Utah Public Finance Website
Utah Retirement Systems	Open and Public Meetings

The City did not have any state funding classified as a major program during the year ended June 30, 2014.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements and Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 14-1 through 14-3. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention to those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted matters involving internal control over compliance which we are submitting for your consideration. These matters are described in our letter to management dated December 30, 2014.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

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

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

WSRP, LLC

Salt Lake City, Utah
December 30, 2014

CITY OF PROVIDENCE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended June 30, 2014

<u>Grant Name</u>	<u>Award/ Contract #</u>	<u>Year of Last Audit</u>	<u>Expenditures</u>
Utah Department of Transportation			
Class C Road	N/A	None	\$ 150,916
Utah Substance Abuse Advisory Council			
Liquor Allotment	N/A	None	4,521
Utah Division of State History			
Historic Preservation CLG Grant	130509	None	<u>3,167</u>
TOTAL GRANT EXPENDITURES			<u><u>\$ 158,604</u></u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CITY OF PROVIDENCE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the year ended June 30, 2014

State Legal Compliance Findings:

Finding 14-1 – Fund Balance

Finding: Utah State Code 10-6-116-(2) requires that the accumulation of a fund balance in the general fund may not exceed 25% of the total estimated revenue of the general fund. The total estimated revenue of the general fund is the current's year total general fund revenue minus any beginning fund balances appropriated. During our review of the City's general fund, we noted that the City's unrestricted general fund balance exceeded the 25% threshold as of June 30, 2014, as set forth in the Utah State Code 10-6-116-(2).

Recommendation: The City Council should monitor the unrestricted fund balance of the general fund and take appropriate actions to eliminate such excess in fund balance in accordance with the Utah State Code.

Management's Response:

The City administration agrees with the above recommendation. The unrestricted fund balance will be monitored regularly. Steps such as: monitoring the progress of construction projects and anticipated payment draws; adjusting revenues and expenditures; making appropriate transfers to other funds, such as the Capital Project Fund, will be taken to ensure compliance with Utah State Code.

Finding 14-2 – Utah Public Finance Website

Finding: State law requires municipalities to post public financial information to the Utah Public Finance Website within the required deadlines. Detailed revenue and expense information must be posted quarterly and within one month of the end of the fiscal quarter. After our review of the transparency website and through inquiries of the City's Administrator, we determined that all four quarterly reports were uploaded late.

Recommendation: The City's Administrator or other designated employee should monitor these deadlines and upload the required financial information within the required deadlines.

Management's Response:

The City administration agrees with the above recommendation. The City Administrator or other designated employee will monitor the submission of the quarterly reports to ensure compliance with the State Legal Compliance Audit Guide.

CITY OF PROVIDENCE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the year ended June 30, 2014

State Legal Compliance Findings (continued):

Finding 14-3 – Open and Public Meetings Act

Finding: According to the Utah State Code 52-4-204(2)-(4) and the State Compliance Audit Guide, if a portion of the council meeting is closed to the public, the reason for holding the closed meeting, the location where the closed meeting will be held, and the vote by name of each member of the public body either for or against the motion to hold the closed meeting should be documented in the minutes and the reason for closing the meeting should be permitted under Section 5204-205. During our review of the council minutes, we noted that on several occasions these reasons were not adequately documented.

Recommendation: We recommend that the City Recorder document these requirements every time the Council holds a closed session.

Managements Response:

The City administration agrees with the above recommendation. The City Recorder and others who may be taking minutes, will document (in the minutes) the reason(s) for the closed session(s) that are stated during the meetings.